

GROUP MEETING

September 12, 1940
9:30 a.m.

- Present: Mr. Sullivan
Mr. Graves
Mr. Haas
Mr. Chamberlain
Mr. Young
Mr. Foley
Mr. Thompson
Mr. Schwarz
Mr. Bell
Mr. White
Mr. Gaston
Mrs Klotz
- H.M.Jr: Well, I think the Press treated us pretty well this morning.
- Schwarz: I think, all told, that we got along all right.
- H.M.Jr: Pat was much fairer than I thought he would be.
- Schwarz: He stuck pretty closely to the facts.
- H.M.Jr: I thought it was all right. In fact, I am quite pleased.
- Gaston: I thought it was a very accurate story in the Post. I heard Danaher on the radio last night taking Fulton Lewis' place and in the course of his broadcast he gave a general review of what was going on in Congress. He quoted textually two sentences from Johnny's statement and they were accurate quotations, so he had seen a transcript or seen the statement itself.
- H.M.Jr: Is that right? Well, I think we got off all right. I am satisfied. It was tough going for a while, wasn't it, Johnny?
- Sullivan: You should have been around some other times during the summer.

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- H.M.Jr: Well, I have been in other tax bills.
- Sullivan: Yes, I know.
- H.M.Jr: "Senate Finance Committee, unimpressed by the Treasury Department objections, is seeking early enactment of its version of the excess profits tax bill." (Reading press notice)
- Well, we will see now what the next move is.
- Gaston: I have got clearly on record the fact that the Treasury is opposed to the bill in its present form. I think that is all we can do.
- H.M.Jr: No question about that.
- Sullivan: It is on the record all right.
- H.M.Jr: No question about that.
- Gaston: Harry Durning told me yesterday that there seemed to be preparations to take the New Amsterdam, the Holland-American line, out of New York. If he is correct, they will be asking in a day or two for permission to start, the British, of course, and I don't know any reason why we should interpose any objections to the departure of the New Amsterdam.
- H.M.Jr: None that I know of. Anything else?
- Gaston: I don't know of anything else except that I talked to Patterson yesterday about the - their effort to dispossess us from our Winthrop radio station and I think we can get delay long enough so that we can get a new station. Otherwise, it will cause a lot of difficulty.

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H.M.Jr: Ed?

Foley: I have nothing.

H.M.Jr: Let's see, Leon Henderson phoned me this morning and I have sent a copy of the letter on scrap steel to you and to Gaston and to White and he is working out something. He seems to be carrying the ball on it. I will let you read it.

Foley: You have got the letter?

H.M.Jr: They have all gone.

Foley: They wanted another one for Leo and I had that written, too.

H.M.Jr: That is the one. What else?

Gaston: Did you want to add any names to that list of the people who are getting that weekly report on scrap steel and petroleum products?

H.M.Jr: No, but I would like to see the list.

Gaston: I sent it in yesterday afternoon. Interior is on.

H.M.Jr: I didn't get it. Chauncey was in this morning.

Foley: Forrestal has indicated he would like to have those aviation figures that you gave to some of the other people.

H.M.Jr: He is on that list, isn't he, George?

Haas: No.

Foley: He would like to get on it. He may mention it to you.

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- H.M.Jr: All right, put him on this week. You sort of have inside information there, don't you?
- Foley: Well, I didn't get this that way.
- H.M.Jr: I wonder if he will take it after office hours.
- Foley: No, he asked Cox about it.
- H.M.Jr: George is the comptroller on that. What else?
- Bell: The Assistant Secretary gets them, doesn't he?
- Foley: Knox gets them. I don't think the Under-secretary gets them.
- Haas: Knox gets them. Where is Patterson, is he in War?
- Bell: He gets them.
- Haas: Patterson gets them, and the Secretary of War.
- H.M.Jr: Put Forrestal on.
What are you going to do today, Johnny?
- Sullivan: I am going to try to catch up on the things that I have been missing here for a while. I would like to see you a minute after this meeting.
- H.M.Jr: Chick?
- Schwarz: I have nothing.
- H.M.Jr: Did they bother you much last night?
- Schwarz: Oh, about seven or eight calls.

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H.M.Jr: I see. What am I going to say in my press conference?

Schwarz: You will have to --

H.M.Jr: I will say I did all my talking before an executive session.

Schwarz: That is right.

H.M.Jr: And as far as I am concerned, newspaper stories - I have got no complaints.

Schwarz: The stories are adequate and no complaints?

H.M.Jr: No.

Schwarz: Yes, sir, that is the picture.

H.M.Jr: Mr. Young?

Young: The Swedes are taking their first Vultee out for a test flight today.

H.M.Jr: That is a great job.

Chamberlain: I talked to Berle yesterday about those - the French request to be allowed to pay expenses in other than the United States from the funds here. He said it might have been taken up with the President and he hadn't decided yet and the State Department was holding back because they wanted to see the new French Minister and sort of size him up, so we are still hung up on that.

H.M.Jr: That is all right.

Chamberlain: Well, yes, that is all right as far as I can see. I will have to take - hold the hand of the French financial people, but I can do that all right.

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H.M.Jr: Anything else?

Chamberlain: Nothing else.

H.M.Jr: George?

Haas: I have nothing this morning.

White: If you would care to indicate a schedule that you would like to follow on this Chilean thing, we have got - gone as far, I think, as we probably can without talking to the Chileans more or less officially, and we can have something for you, if you would like, Monday or Tuesday, for you to go over with the Treasury staff before you call them in.

H.M.Jr: Can't you give me something to read over the week-end?

White: Yes, I can do that.

H.M.Jr: At least, I can take it with me.

White: It will be ready, and then if you want to have a meeting on Monday --

H.M.Jr: I will try to read it.

White: All right.

H.M.Jr: What else?

White: That is all.

H.M.Jr: This is very much in the room. I just talked to Mr. Stimson and he still is very much interested in the Far East. Have I got a memorandum on that Chinese-Russian-U. S. Steel?

White: You have a brief one. I can give you a second one.

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H.M.Jr: Could you, that I could send over to Mr. Stimson?

White: I think you might send the other one over, but I will give you two and you can take your choice.

H.M.Jr: Right. He is pecking away at it. He says Hornbeck and he are like this (crossing fingers) now. They are both together.

White: Hornbeck seems to be very strong when he is outside the State Department, on the Far East. His blood kind of turns to water when he gets back home.

H.M.Jr: What else now besides Chile?

White: That is all. We are working on Brazil, and they have talked about Cuba, but it will come to you through a communication.

H.M.Jr: The American Ambassador to Cuba is in town.

White: Is he?

H.M.Jr: He is so impressed that he is trying his best to get me to see a fellow by the name of Heineman, who is the head of this Belgian Sofina. I refused yesterday point-blank to see him. He says he is one of the most constructive figures in finance in the world.

Chamberlain: Well, he is a very clever fellow. We have all heard of him for a long time.

H.M.Jr: I said I didn't know anything about him, whether he was or wasn't, but this was the second time, and wouldn't I see him, and I refused to see him.

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Chamberlain: He wrote you a letter, Mr. Secretary, that we had, and that matter is being examined with a great deal of care and Mr. Upham is going over it this week-end, and you are going over it, too, aren't you, Mr. White? We don't feel like going ahead on the Sofina situation without very great care.

Foley: That is a high-pressure crowd. They tried to hire Eddie Greenbaum to handle the case here.

H.M.Jr: The Sofina?

Foley: Sure they did. Eddie wouldn't take the retainer.

H.M.Jr: If Eddie had to pay an excess profits tax on all the fees he turned down, we would be rich.

Foley: Donald Duncan, Jim's partner, went up to see Eddie and asked Eddie if he would go up and take a retainer and Eddie said, "You don't have to hire me to see the Treasury. All you have to do is go in and see them." Duncan came down and saw you. That was just before you went on your northern New York vacation.

H.M.Jr: I didn't know, with this fellow in town, how much pressure - what is the American Ambassador's name? Messersmith lived for ten years in Brussels. He must have been Consul-General there and that is where --

Bell: Heineman is an American.

H.M.Jr: Is he still?

Bell: I guess he is. His holding company is an immense company.

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- H.M.Jr: Messersmith got to know him during the ten years he was some diplomatic officer in a Consular office in Brussels.
- White: You will notice the half billion dollar addition to the Export-Import Bank went through the Senate.
- H.M.Jr: Yes, they went out and left us waiting for 15 minutes while they voted on it.
- Sullivan: They came back, though.
- H.M.Jr: The next time these fellows that write these statements - we will let them go up and defend them, the authors. We are just the actors. They just pulled the strings on us.
- Sullivan: Oh, no. As a matter of fact, I think we would have had a very tough time if we hadn't had that thing worked over.
- H.M.Jr: Do you think so?
- Sullivan: Sure; I think it was infinitely better than the way I originally had it drafted.
- H.M.Jr: I wouldn't argue with you on that.
- Harold?
- Dan?
- Bell: We had a meeting of the committee you appointed yesterday morning on the South American Treasury Conference and we recommend to you that the Treasury be represented by a delegation headed by Mr. Gaston and Dr. White, probably.
- H.M.Jr: I reluctantly accept that.
- White: By a majority vote.

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Foley: Two to one.

White: No, it was really Danny's idea.

Bell: At first it was, and then I made it unanimous.

I would like to see you sometime on Savings Bonds and those two bank situations.

H.M.Jr: Will you ask - I have got time this afternoon.

Bell: Would you want to discuss the bank situation?

H.M.Jr: Sure.

Bell: It will take about 10 or 15 minutes.

H.M.Jr: Sure. Okay.

Johnny, do you want to see me?

Sullivan: Just a minute.

September 12, 1940
11:00 a.m.

RE FOREIGN FUNDS CONTROL

Present: Mr. Chamberlain
Mr. Gaston
Mr. Foley
Mr. White
Mr. Bell
Mr. Cochran
Mr. Bernstein
Mr. Pehle

Chamberlain: There is nothing new except that you expressed the opinion that you favored Switzerland and thought they should be paid and we would like to get --

H.M.Jr: Just describe it to me again.

Chamberlain: There were two - applications for two requests on the French, to take dollar funds to pay the interest on two Swiss loans, total amounting to about - between \$800,000 and \$900,000. The loans were, according to our reports, not payable - no option to pay in dollars. Alphand says they have such an option and will give us a memorandum, but I am quite confident there was no such option. The point is that they haven't got the means in France with which to buy these - to buy Swiss francs. We pressed them on the point of their having taken over a quantity of French exchange from their people. He said they hadn't taken over as much of it as we had supposed and is going to give us a memorandum on that and that in fact they hadn't anything left. I told him that we didn't want to grant the application if it wasn't necessary

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because we thought it was very desirable for the French to use whatever exchange they had in France to pay out on all of these obligations. He said they - you know, I thought if it would fall into German hands I might well make that point. He said he was perfectly aware of that and he would like to pay out these funds, but they didn't have them.

H.M.Jr: Who says that?

Chamberlain: Alphand. And it would be very difficult for them to find any way of paying these funds. You know the situation from the Swiss point of view is that the Swiss Minister was in strongly urging that it be paid and another Swiss - Somary --

Cochran: No, it was the Minister himself.

Chamberlain: Minister himself urged strongly it be paid. He wants to get the money to sustain this currency.

H.M.Jr: It is a question --

Chamberlain: It is a question of how much you want to help the Swiss.

H.M.Jr: And the State Department expressed themselves, did they?

Chamberlain: No, I don't think they have.

H.M.Jr: Have they?

Cochran: No, sir.

H.M.Jr: Well, that is funny.

Cochran: Well, I mean they expressed it - the Minister went to Mr. Berle to protest against our decision and Berle sent a memorandum to Dan Bell saying they would look into it. You saw that, didn't you, Dan?

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Bell: Yes.

H.M.Jr: Has Berle expressed an opinion?

Bell: In the memorandum, as I recall it --

H.M.Jr: Is he for it or against it?

Cochran: He doesn't say.

H.M.Jr: Well, I wouldn't do anything until Berle says whether the State Department is for or against it.

Chamberlain: Well, we can take it up with him. How would you feel? If he disapproves it, I suppose --

H.M.Jr: If he disapproved it, I would be disinclined to do it.

Chamberlain: And if he approves it --

H.M.Jr: I would be inclined to do it unless these fellows have got some reason here. They have asked to sit in.

Chamberlain: Bernstein?

Bernstein: Well, the course that I had in mind, as I understood the thing when it came before the Committee, is that it involved using American funds to pay obligations which a blocked country had in Europe and not dollar obligations, but foreign currency obligations. The few cases where the problem has come up or as the general policy had in the past been considered in the Committee, we were always reluctant to grant that type of application because it very obviously meant a tremendous leak in the whole foreign funds control. I think I recall at one time the Roumanian Minister came in to see Herbert Gaston and they wondered if they could use Danish assets or Scandinavian assets to pay for obligations due Roumania and also new obligations incurred. We have always been

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- against that type of a situation. The only case where we have listed the buyer was on old obligations in South America and Latin America.
- H.M.Jr: Now, before you go any further, aren't they going to use - aren't the French going to use part of their own blocked money here?
- Chamberlain: Yes.
- Bernstein: It is a problem of using - whether you will free the blocked dollars.
- H.M.Jr: That isn't what you said in the first instance.
- Bell: He used the term "American funds" to refer to blocked American dollars.
- H.M.Jr: But you didn't say that. But it is funds which the French have here which are now frozen. It is a question of our now un-freezing them to the extent of \$800,000 or \$900,000.
- Chamberlain: Around \$850,000.
- White: As a beginning.
- Cochran: Well, the service is due twice a year.
- Foley: If you do that, that is a precedent for similar transactions in other countries.
- H.M.Jr: How many others are there?
- Foley: There is no telling, Mr. Secretary, where it will lead to.
- Cochran: Oh, there is on that as far as France is concerned, because they have only --
- Foley: But you limit it to bonds.
- H.M.Jr: Let Merle finish.

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Cochran:

It doesn't mean it is wide open as far as France is concerned, because she has only borrowed on three markets, that is, the American market, and we are letting them use their dollar deposits here now to pay the service on loans floated in this country, of course. Then the only other two countries in which she has borrowed in recent years have been Switzerland and the Netherlands, and there is no chance of our approving any service into the Netherlands now, so Switzerland is the only country left and of these two big loans, the service is about \$850,000, that is a million 700 thousand for the year, and then there are some notes out also, but I mean it wouldn't run into big figures for France if we approved this.

H.M.Jr:

This is the other side, which evidently nobody - maybe they have considered it. By saying no, we are encouraging them to default.

Foley:

Mr. Secretary, they are not payable in American dollars. If they were payable, if the multiple currency payment clause was American dollars, I would agree with you, but they are not.

H.M.Jr:

This money over here is French money, and they want to use it to pay their obligations and we say, "No, you can't do it." The next time it comes to us, "Well, you wouldn't let us pay Switzerland, why should we pay you?"

Gaston:

I think you have to distinguish between a Government obligation and a private obligation. This is a Government obligation, isn't it?

Cochran:

Yes.

H.M.Jr:

To Swiss Government or Swiss Nationals?

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- Cochran: Swiss Nationals.
- Foley: These bonds may have been picked up by the Germans and they may have been routed back into Switzerland.
- Gaston: Are their terms in Swiss francs or French francs?
- Foley: Both.
- Chamberlain: No, Swiss francs.
- Gaston: They claim these bonds they want to pay are bonds which are presented by Swiss Nationals, is that right?
- Cochran: They haven't been widely distributed. The issues were taken by a few big banks and they have been distributed to just a few banks.
- Gaston: Of course, we don't know who holds these bonds.
- Cochran: The Minister states they are all held by Swiss and as far as Germans getting them, Germany hasn't permitted investments in foreign securities of this type in recent years. You couldn't get money out of Germany for that purpose.
- H.M.Jr: By the Minister, you mean Dr. Bruggmann? Is he the Swiss Minister?
- Cochran: Yes.
- Bernstein: Wouldn't it be possible --
- Chamberlain: If they didn't have the money which to buy it - they would be unlikely to buy French securities.
- Bernstein: Supposing these securities were also floating around in Belgium and in Holland and were picked up by the invader in those

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areas providing for payment either in florins or Swiss francs. What would stop them from sending those securities down to Switzerland, turning them over to Swiss Nationals, and asking the Swiss Nationals to present them? We have set up the whole system of security control for the very purpose of preventing that kind of thing happening. Securities that are imported here are under our licensing control, securities can't be sold here if they are located abroad, and securities can't be dealt with here if they have a stamp indicating they have been in one of the invaded areas. That whole thing is gotten around by sending the money abroad and allowing all those stolen securities to be presented.

Chamberlain: That is perfectly true, and then maybe some will come in. We don't know. The question, I think, solely, is one of how far you want to help the Swiss and accept this possibility that may happen.

White: The argument which sounds very specious to say that they need this money to export the Swiss franc, they have got more foreign exchange in gold than any of the other countries have and they do not need this amount. That is A.

B, the question as to whether we are forcing them to default rests on the assumption they have no Swiss franc resources. That is a very doubtful question in my mind. They must have other sources, particularly Swiss franc resources, because they can deal with Switzerland.

Cochran: There is very little trading going on now. We know they did choose the dollar and the currency to put their reserves in.

White: There must be any number of Frenchmen having Swiss francs in Switzerland.

Bell: Don't you think most of the reserves of France are in this country?

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- White: Yes.
- Cochran: Most of the reserves?
- Chamberlain: The argument against it is that - the Germans undoubtedly are getting all the exchange they can in France from the French. If we go ahead with this, it would give them a further means of turning the screw.
- On the other hand, I question very much whether the French have any very large amount of foreign currency. As to that, I am no authority. I don't believe it.
- White: Switzerland was one of the most common places for the Frenchmen to put their money.
- H.M.Jr: Just a second. The feeling seems to run a little high on this.
- Chamberlain: It doesn't in my case.
- H.M.Jr: Would this be feasible? I am just thinking out loud. Supposing we say, "All right, we are going to let you use this and we will release this much money, but we want you to transfer that money in New York to the Swiss -" Credit Suisse, you see, here, and then makes the checks payable from there to the bondholders and so forth. Would that help any?
- Cochran: It wouldn't go through the Credit Suisse. It goes to the Federal Reserve Bank and the payment is made there on the books to the account of the Swiss National Bank, which in turn has to pay in one case to the B.I.S. a dollar account in New York, because the B.I.S. is the paying agent in Switzerland for this loan. Then they have to work an exchange transaction and pay Swiss francs to the holders.
- H.M.Jr: Well, I mean, is there any way of somehow or other being fairly sure before we start that this money will flow into Switzerland and not into France?

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- Cochran: Oh yes, because the transfer is definitely to the National Bank of Switzerland, you see, and their account with the Federal.
- Foley: You don't know it isn't going right back into Germany, because these bonds may have been picked up by the Germans and sent over to Switzerland to be presented in Switzerland for payment.
- H.M.Jr: That would hold true of any dividend you pay on any American corporation. You don't know what American stocks they are picking up.
- Bell: There is nothing to prevent it. It goes directly to Germany instead of going through some other country.
- Bernstein: This is going just a little fast for me. On the question of American securities, which were found abroad, securities which were registered in Dutch names, it doesn't make any difference who picked them up, 95% of the Dutch securities were so registered that no payments are being made other than into blocked accounts in the Dutch name.
- H.M.Jr: But if a German citizen today wants to go into the New York Stock Exchange and buy an American security, that money goes - the earnings of the General Motors Corporation, if he buys that, go back to Germany. He can do anything. He can send money orders or anything else.
- Chamberlain: That is one of the difficulties.
- H.M.Jr: We talk almost as if we were at war with Germany.
- Cochran: In this case, Mr. Secretary, the loan was floated only in the two countries, Netherlands and Switzerland, and the amount which they are asking now is even less than we calculate the service ought to be on the portion which was floated in Switzerland, and Germans haven't had any money they can put into bonds of this type. The German exchange control would not

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permit purchases of securities of this sort since 1933.

- White: Is it our understanding that the French Government cannot obtain \$800,000 --
- H.M.Jr: Nobody said that.
- Cochran: No, they could take French francs and buy Swiss francs with them, but the Swiss do not want that and since --
- White: They don't want Swiss francs?
- H.M.Jr: They have Swiss francs.
- Bell: French francs.
- White: Yes, but they can buy the Swiss francs from somebody else who wants the francs. They are doing business. They have got Swiss francs in Switzerland --
- Cochran: They have called in their foreign exchange. If they had that many they wouldn't be working this way, but that is a very big amount. The trade with Switzerland isn't big now at all. It is cut down a good deal.
- White: I should think the appropriate way for the French to handle their funds here is to reduce it by every excuse they have and this is a good excuse.
- Gaston: I think that is the size of it, Harry.
- H.M.Jr: What is?
- Gaston: That any chance they get to utilize their funds in the United States, they want to do it.
- H.M.Jr: Who?
- Gaston: The French, rather than to utilize funds that are over there and I think that is

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the situation here, but I don't think that is conclusive argument against permitting them to do it. The question is whether we would rather have the funds blocked in the French Government accounts in this country or in the hands of Swiss Nationals, to whom they properly belong.

H.M.Jr: Are you opposed to this transaction, Herbert?

Gaston: No, I would be inclined to do it. But I recognize the fact that the French will use every opportunity --

H.M.Jr: I know what Harry is talking about, but I think in this case it is going a little bit too far, that is all. I don't know where you (Bell) stand.

Bell: Well, I don't think we have enough information on the transaction as to where the funds could come from, but the pressure here is coming from the Swiss, as I understand it, and not the French.

Cochran: No, it is coming from both sides.

Bell: I would be inclined to certainly grant it. I don't think you can afford to say no.

H.M.Jr: But nobody has put this up to the State Department?

Cochran: Well, the other day you indicated that you were in favor of it and you were just going to consult the President. I didn't think we were free to do it.

White: I think the Secretary said that he was inclined to be sympathetic. That is quite a different thing from saying he was in favor of it.

H.M.Jr: I still think that where we consult them on less important things, that we ought to get a definite yes or no from them.

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- Chamberlain: We can do that, Mr. Secretary. We supposed you were taking that to the President.
- H.M.Jr: I am not going to bother him. Supposing you get it up and the State Department, not Berle as an individual - but if the State Department will give me an approval in writing, I will go along; and if six months from now when this thing comes through - the world may be an entirely different place, but I think we have got to give a country like Switzerland a little bit of a break and we are giving them a little bit of a break.
- Bell: Why don't you tell them this isn't the precedent for the payment of the next six months.
- White: If this payment is made and if it is clear in our own minds that this does not constitute a precedent --
- Bell: I would say that your next six months' payment will have to be decided upon by the facts presented then.
- H.M.Jr: I will take Bell's suggestion that we tell them that this is for once only. The next time we will take it up on its merits again.
- White: Or any other case.
- H.M.Jr: Or any other case of similar character.
- Gaston: You have got to remember that the Swiss are right under the guns. They don't dare to offend Germany. They have given up gasoline and food.
- Foley: They are just like Sweden, and that is why I am not so moved by the appeal the Swiss make because it may not be in their own interests.
- H.M.Jr: No, but it is awfully hard to say to the Swiss, "Now, you are a condemned nation

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and we wipe you off the slate."

Chamberlain: Yes.

Cochran: I had this letter just yesterday which I mentioned from the president of the Swiss National Bank saying that they had not been under coercion at any time.

H.M.Jr: Well, I think it is settled as far as I am concerned.

Chamberlain: The other matter, Mr. Secretary, I would like to take up with you again, is the question of these remittances sent over to France, brought up in a letter that you got from a person who wanted to send money to an old lady in France.

H.M.Jr: Somebody must have sent it to you. I am not familiar with it.

Chamberlain: I have taken that up, and we have a number of such other cases. I wouldn't recommend that the applications be made generally. I just wanted to call your attention to the fact that we can have money sent to France on blocked dollars, as the dollars can be blocked here, so that the dollars won't actually pass out.

H.M.Jr: Into occupied France?

Chamberlain: Well, unoccupied, certainly, and so far as we know, occupied.

H.M.Jr: That is another new one for me.

Chamberlain: How long that will last we don't know.

H.M.Jr: But they will block it here.

Chamberlain: We will block them here.

H.M.Jr: Do the same way we did with the National City.

Chamberlain: Same way we did with the others.

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H.M.Jr: Have you had this up with your Committee?

Chamberlain: We had it up with the Committee. The Committee is split on it and some parts of the Committee favor sending it and part not. None of us, I think - I am not fully convinced on it, but I am inclined to think that we might allow these payments to go to France during this confused period when there is no - when the dollars can't get out of the country.

Now, I took it up with Davis this morning at the Red Cross. He tells me for whatever it is worth that he thinks people won't die of starvation in France. He thinks, though - this is nothing to pay too much attention to - he thinks we ought to allow these individual payments.

The State Department has expressed the opinion that we should allow these payments provided we can be sure that the money will reach the person in France and provided we can be sure there is a real necessity. So far, our information is that money - we can be quite sure that the money will reach the person to whom it is sent.

H.M.Jr: Well, of course - where we are doing this thing for Norway, we don't know whether the money gets there. We are just doing the \$50 per family per month.

Chamberlain: That is all we would possibly recommend, \$50 for an individual or family.

Bell: What are you proposing, Professor, that you extend the present system of \$50 a month where they have had it over a year to people who want to begin sending now?

Chamberlain: To unoccupied France. I don't think we should do it, certainly, to other countries.

Bell: Just unoccupied France?

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- Chamberlain: The principal difficulty is whether we should send it at all. The main point I would like to get for our people is a decision on it so we can say yes or no.
- H.M.Jr: Have you many applications?
- Chamberlain: We are holding something over a thousand. I don't know how many have come in. Some of those will be taken care of.
- H.M.Jr: That the money will be blocked in this country?
- Chamberlain: It can't be blocked in this country at present.
- Bell: Germany is beginning to tighten up a little more.
- Chamberlain: That may end tomorrow and if the end comes tomorrow, I would be against it.
- H.M.Jr: How do you feel, Dan?
- Bell: Well, I think I am in favor of it. I thought that the time we granted the other - approved the other scheme of remittances at \$50 a month to those people who had been receiving it over a period of a year, we were discriminating against the other group who hadn't been receiving it but who had friends here who wanted to remit and we wouldn't permit that. I think there ought to be something worked out to take care of those people. They are in just as dire need as the ones who have been receiving it over a period of months.
- Gaston: There is the case of the woman whose American husband established a trust in America. Her son was in the French Army and is now a prisoner and she has no income. She wants to realize on the trust established by her American husband, now dead. That is just as appealing as where they have been getting

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remittances. I think you ought to take it case by case and decide it by the merits of the particular case.

Cochran:

But the real emergency cases fall in that category rather than the regular remittances, and I think we ought to get a little more generous than we have been and where we have cases like this which has some merit, I think we could go through and take out a lot and reduce the big number of some 5,000 applications that we are behind.

H.M.Jr:

Now, just wait a minute. Going back to this - what I call the Norwegian ruling, how many cases were not taken care of where we ruled for a year or more?

Chamberlain:

We couldn't tell exactly. We roughly guessed it might be 25% of the cases.

H.M.Jr:

Why isn't young Pehle here when they have these conferences?

Chamberlain:

We could get him here.

H.M.Jr:

How many did it leave?

Chamberlain:

The highest was 25% that would be taken care of.

Bell:

Under the previous ruling?

H.M.Jr:

I thought we were going to take care of most of them.

Chamberlain:

No, I don't think so.

H.M.Jr:

Let's just leave that to one side a minute and how about this thing? I forget whether it is a year or whether it is just - how do you feel on this French thing?

Bell:

You mean this last proposition of sending the remittances?

H.M.Jr:

Yes.

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- Bell: I think we ought to do something. I am in favor of doing something.
- H.M.Jr: Harry?
- White: There is an awful lot of pressure and it is a little hard to defend our position. Again, if we were - could do it with the understanding in the group that it applies only for the moment and doesn't constitute precedent, little by little the thing is being broken at various points and until we find out, which I think will be available within a couple of weeks, exactly how much is being paid out in various amounts which we cannot tell yet, I think we ought to be as niggardly as we can, but I do feel that owing to the pressure that there is on these spectacular cases, that we ought to be a little more flexible in permitting the cases to go out for the time being without any reference to how long we will continue.
- Bell: I'm in favor of generous treatment. I mean, we have this big accumulation of cases, not only these but others that are held up by the whole machinery, and I think most of the complaints are coming in on this type of case and I think it is fair to go ahead and clear them.
- H.M.Jr: Bernie?
- Bernstein: The individual cases always appeal to our humanitarian instincts, and I think we tend to focus on the individual cases without giving it all the value necessary to be given to the whole problem. One point that comes immediately in mind is, if you are going to allow Americans to send funds to their relatives or friends in unoccupied France as long as the dollars are just blocked, how can you deny the French Government its right to use its blocked dollars in order to help people in its own unoccupied area? The decision that we might

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have to take may be a harsh one, but may be dictated by other considerations. I assume that was what was in mind in the President saying to sit tight on all the cases except for these exemptions that everybody made.

Now, the exemptions, as I understand it --

H.M.Jr: Don't be so legalistic, Bernie. Cut it short. I have got this. I want to hear from each person.

(Mr. Pehle entered the conference.)

Bernstein: The exceptions that we have made, we have taken care of all Americans and we have taken care of people coming to this country, even though they are not Americans, and we are taking care of those who have been taken care of in the past. The foreigners, whose situation is critical by virtue of the invasion, are a problem that have to be considered as a part of the whole aspect of our relations to Europe rather than in terms of necessity.

H.M.Jr: I still don't know where you are at.

Bernstein: I don't think we ought to grant these applications.

H.M.Jr: That is what I wanted to hear.

Ed?

Foley: I am in favor of strict control, Mr. Secretary, and I think that these exceptions that we are making affect the whole policy of blocking these funds.

H.M.Jr: You are not unblocking them.

Foley: Well, you are allowing dollars to get into France.

H.M.Jr: No, you are not. They are blocking this, you see.

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- White: These particular cases are a type in which the payments - they will be frozen here. That may not last very long, but that is the particular kind of case we are examining. Somebody is going to give them francs and take blocked dollars. It is somewhere in between.
- H.M.Jr: If we were going to release a million dollars worth of blocked money and let it go, I wouldn't ask anybody's advice, I would say no, but as I understand it, what we are doing is, the Bank of France is providing the funds.
- Chamberlain: The dollars that are blocked here, France pays there.
- H.M.Jr: They are finding the money there and there is no new money flows into France, is there?
- Chamberlain: No new dollars go to France.
- H.M.Jr: Do you still feel the same? I don't want to press you.
- Foley: Maybe I don't know enough about this situation to express an opinion, Mr. Secretary.
- H.M.Jr: Did you sit in on the National City thing?
- Foley: No.
- H.M.Jr: Herbert?
- Gaston: I think where the funds can remain blocked in this country, we ought to examine those cases and deal with the most appealing ones, we ought to grant those most appealing ones of individual hardships so long as the funds remain in this country.
- H.M.Jr: Pehle, do you want to say anything?
- Pehle: I take it the issue you are discussing is the transmittal of funds to unoccupied France.

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- Chamberlain: I think the same rule holds in occupied, doesn't it? The question is, does the area where francs can be made available against blocked dollars, so that the dollars don't leave the country --
- Pehle: These are individual cases.
- H.M.Jr: Individual cases, \$50 a month, \$10 for each child.
- Pehle: Well, we are already doing that now. Of course, we are up to \$50 a month and \$10.
- Chamberlain: Not for all cases.
- Pehle: Well, for the cases in which they have been sending in the past. Is the proposal to widen that out a little bit and including cases where they haven't been sending in the past but strictly on a situation where it would blocked dollars only?
- Gaston: Yes.
- Bell: That is right.
- H.M.Jr: Say that again, because I didn't understand it.
- Pehle: As I understand the present situation, we have a general license out under which, whether the dollars are blocked or free, payment may be made to non-Americans in the area up to \$50 a month and \$10 for each child, and not in excess of \$100 for the family, but there are restrictions, the restrictions being that the payments must have been made over a period in the past and we do have a hard situation where they may not have made any payments but there is an emergency situation now. In other words, they haven't been sending funds in the past but right now they have to send funds because other sources of income have been cut off or because a person is destitute or they are ill or something like that. I take it it is

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that class of cases and only in cases where the dollars would be blocked.

- H.M.Jr: That is right.
- Pehle: I would be in favor of that on an individual case basis, in other words, not to issue any general --
- H.M.Jr: Individual case basis.
- Gaston: Yes.
- H.M.Jr: Anyone want to say anything more?
- Foley: Well --
- H.M.Jr: If you are not sure, you don't have to express yourself. Okay. I feel that way. It would only be for France, wouldn't it?
- Chamberlain: Only for France.
- Bell: You really haven't had much of a problem in Belgium and Holland yet, have you?
- Chamberlain: The Belgian problem, I think --
- Pehle: Conditions have been so confused we haven't had so many.
- Chamberlain: I was told the other day that a Belgian had come over here to try to get help from the Red Cross to take care of the broad situation in Belgium. Mr. Pehle will say we have had very few requests from Belgium, and I wouldn't try to recommend sending money to Belgium at present.
- H.M.Jr: You would not?
- Chamberlain: Because that would go straight to the Reichsbank.
- H.M.Jr: I think, just to paraphrase what Pehle said on it, each case on its own merits, where

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the money will be blocked until further notice, I would be willing to see that this \$50 a month and \$10 a month for each additional child be continued.

Chamberlain: I don't think it will last very long, Mr. Secretary.

H.M.Jr: That is all right.

Chamberlain: The point that is impressing me is that it would help out an extremely difficult situation in France during this period of transition.

H.M.Jr: Well, until further notice - do you want to ease up the thing where - just rule that they have to have sent the money for a year?

Chamberlain: I think, Mr. Secretary, that we had better not change that rule unless Mr. Pehle has some objections.

Pehle: If we are not changing that rule, I don't quite understand what we are doing. We must be changing that rule. We are already allowing funds to be sent over, and the only thing we are doing now is saying we are easing up on the rule that they must have sent them in the past.

Chamberlain: Only for France.

Pehle: Yes.

Chamberlain: I think we shouldn't change the rule, but simply let it be in individual cases, issue instructions to your men.

Pehle: Oh, we will take care of it.

H.M.Jr: The point I am raising, outside of France. Let's take Norway, for instance. I have been sending money to somebody there for six months. You say I can only send it for a year. Or, I just heard of a friend

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that I want to send some money to.

White: Is that going to be blocked dollars?

H.M.Jr: No, free. I am just raising it.

Bell: In other words, you are raising the question as to whether the \$50 limitation outside of the French area should be broadened?

H.M.Jr: I am just raising it as long as we are here now.

Bell: Do you think it is working all right, John?

Pehle: Well, it doesn't take care of all the cases.

H.M.Jr: Well, what proportion does it take care of?

Pehle: The rule that you just agreed to --

H.M.Jr: Not France.

Pehle: Will take care of a certain number of the cases. It is impossible to tell just how many that will take care of, but there will be cases falling outside that area.

H.M.Jr: Supposing you do this: supposing the group downstairs makes a little study, how many cases are there pending outside of France who are held up because the German part, the fact that you have to have been sending for a year, is the stumbling block.

Chamberlain: We will do that.

H.M.Jr: And have them send the money for how long?

Chamberlain: Six months.

Pehle: Mr. Secretary, our applications that we have been holding will not show that information. In other words, the person comes in and says, "I want to send \$200 to my niece who needs some money." He doesn't say whether he has been sending it in the past or not.

- H.M.Jr: How do you make the rule?
- Pehle: We have a general license that operates quite apart from the individual licenses.
- H.M.Jr: How do you make that rule work?
- Pehle: By the general license. You see, under the general licenses it goes through the banks automatically and they file reports. They don't come to us on a specific basis.
- White: But you would have an account of all those who aren't satisfied by that general rule. You would have that number, so you wouldn't know --
- Pehle: We have all the cases that we are holding that seemed to us not to fall within it, although it isn't entirely clear.
- White: We can write back to those fellows and find out.
- Pehle: Of course, that will tend to stir up this issue a little bit.
- Chamberlain: You could go back through your cases and see how many would fall outside this area. I think that is one thing the Secretary wanted to know, outside the French area.
- Pehle: Yes.
- Chamberlain: That we could tell very easily and you could probably - you might be able to make something of a guess as to how many were really emergency cases.
- H.M.Jr: Well, I am just raising the point. I mean somebody said here that what I call the Norwegian ruling only takes care of 25% of the cases.
- Pehle: That is very possibly true.
- H.M.Jr: I would just like to know some kind of a

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report of the people who are writing in and complaining about it, I mean, how many categories do they fall into why we can't take care of them.

Pehle: Well, there is a substantial category of cases where they have not - I think we have enough --

H.M.Jr: Make a little study of it.

Pehle: Yes.

H.M.Jr: Now what else have you got?

Chamberlain: I haven't anything else to bring in except to say that we have taken care of the - I think the French - we have worked out probably - succeeded in getting them to give up some of their requests and we have taken care of them so far as their diplomatic and Consular expenditures in this country are concerned. The others we are holding, and I am trying to get hold of Berle today. He told me, you know, that he was going to take it up again and the matter - that matter will come up through the State Department by means of the French Ambassador very soon.

H.M.Jr: Does that clear your docket for today as far as I am concerned?

Chamberlain: That pretty well clears the docket, I think.

H.M.Jr: I won't ask for anything else.

September 12, 1940
3:10 P.M.

MEMORANDUM

At a meeting in the office of the Secretary attended by Under Secretary Bell, Comptroller of the Currency Delano and Deputy Comptroller Upham, it was decided that a decision in the matter of the application of the Stoddard-Dohn interests to establish the Michigan National Bank at Lansing, Michigan, with branches at Grand Rapids, Battle Creek, Marshall, Port Huron and Saginaw should be postponed for the present. It will be considered later at the convenience of the Secretary.

Preston Delano
Preston Delano

out B

Upham

September 12, 1940

MEMORANDUM: To the Secretary

Six national banks in Michigan are owned by the same interests:

- | | |
|---|------------------------|
| 1. Lansing National Bank | Lansing, Michigan |
| 2. First National Bank | Grand Rapids, Michigan |
| 3. First National Bank | Battle Creek, Michigan |
| 4. First National Bank | Marshall, Michigan |
| 5. First National Trust
and Savings Bank | Port Huron, Michigan |
| 6. Saginaw National Bank | Saginaw, Michigan |

The owners have applied for permission to consolidate them into one institution, with head office in Lansing and branches in the other five cities.

Attorney General Jackson and the Attorney General of Michigan rule that such a state-wide branch banking system in Michigan is legal. The State Superintendent of Banks in Michigan thinks otherwise — and certainly that it violates the spirit of Michigan law.

This office has concluded that the application should be approved, except for one circumstance, and that is that the matter now has a political aspect. A

- 2 -

vocal minority of anti-branch bankers and anti-chain people claim that approval would mean that the Roosevelt Administration was fostering the "big" interests, promoting monopolies, and helping to destroy the small community institutions. Senator Vandenberg has joined those who claim that the State of Michigan does not want state-wide branch banking and that we should not "force" it on the State.

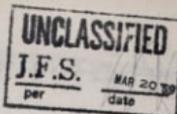
We do not wish to stir up a false political issue in Michigan and the country to the possible detriment of the Administration. The alternatives presented are:

- (1) Immediate affirmative action.
- (2) Postponement of a decision until after the election.
- (3) Postponement of a decision until after the Michigan

Legislature has had an opportunity to review its legislation on this subject. In this event there should be immediate public announcement to this effect.

Preston Delano
Preston Delano

TREASURY DEPARTMENT
INTER-OFFICE COMMUNICATION



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DATE September 12, 1940

TO Secretary Morgenthau
FROM Mr. Cochran

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The six reporting banks executed the following transactions in registered sterling:

Sold to commercial concerns	£63,000
Purchased from commercial concerns	£ 9,000

Most of the sales were to cover imports of rubber and tin.

The Federal Reserve Bank sold £55,000 in registered sterling to two non-reporting banks.

In the open market, sterling remained at 4.03-1/2 all day. Transactions of the reporting banks in open market sterling were as follows:

Sold to commercial concerns	£12,000
Purchased from commercial concerns	£32,000

The Cuban peso, which has shown a weak tendency of late, improved today to 10-9/16% discount, as against 11-9/16% yesterday.

The other currencies closed as follows:

Swiss franc	.2278
Canadian dollar	14-1/4% discount
Swedish krona	.2385
Lira	.0505
Reichsmark	.3995
Mexican peso	.1996 bid, .2016 offered

We purchased \$51,998,000 in gold from the earmarked account of His Britannic Majesty's Government.

Another three-month's loan of \$50,000 to the Central Reserve Bank of El Salvador was made by the Federal Reserve Bank of New York today. As collateral, the Federal set aside gold valued at \$56,941 from the Salvadorean bank's earmarked account. Since August 31, a total of \$250,000, representing five allotments of \$50,000 each, has been loaned to El Salvador, secured by \$284,257 in gold.

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per date

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The Federal Reserve Bank of New York reported to us the following shipments of gold from Canada:

\$50,000,000 shipped by the Bank of Canada to the Federal Reserve Bank, to be earmarked for account of His Britannic Majesty's Government.
1,151,000 shipped by the Royal Bank of Canada for account of the Westminster Bank, Ltd., London, to the Bankers Trust Company, New York, for sale to the U. S. Assay Office.
\$51,151,000 Total

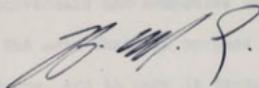
The State Department forwarded to us a cable stating that the National City Bank, Hong Kong, shipped \$131,000 in gold from Hong Kong to the American Trust Company, San Francisco, for sale to the U. S. Mint there.

The Bombay gold price advanced the equivalent of 14¢ to \$34.25, while silver in Bombay was unchanged at the equivalent of 44.87¢.

In London, spot silver was unchanged at 23-7/16d. The forward price was fixed 1/16d lower at 23-3/8d. The dollar equivalents were 42.56¢ and 42.44¢ respectively.

Handy and Harman's settlement price for foreign silver was unchanged at 34-3/4¢. The Treasury's purchase price for foreign silver was also unchanged at 35¢.

We made four purchases of silver totaling 200,000 ounces under the Silver Purchase Act, all of which was new production from foreign countries, for forward delivery.



Lima, Peru. September 12, 1940.

No. 384.

Subject: Unsuccessful Efforts to Embargo European
Funds in Peru.

~~CONFIDENTIAL~~

The Honorable

The Secretary of State,

Washington.

Sir:

I have the honor to report to the Department the following information received from the Secretary General of the Ministry for Foreign Affairs concerning requests from the diplomatic representatives of the Netherlands and Norway that funds of those countries now on hand in Peru be embargoed.

The Charge d'Affaires of the Netherlands, in the name of Queen Wilhelmina, addressed a note to the bankers of Lima, presumably through the Superintendency of Banks, requesting that the Peruvian banks embargo all funds owned by individuals and companies of the Netherlands. It was explained clearly in the note that the purpose was to preserve this property for the legitimate owners, and to make it impossible for the German government to obtain possession thereof.

The bankers referred the request to Mr. Ulloa (former Minister for Foreign Affairs) who acted as legal representative in the case. After studying the legal aspects thoroughly, he recommended that the banks inform the inquirer to the effect that there is no legal or political cause for withholding funds from the legal proprietors thereof. It is understood that the banks replied that they would make available all deposits to the legitimate owners or depositors, as in the past.

It was stated that the German Minister protested to the Ministry for Foreign Affairs against the action of the Charge d'Affaires. The Ministry for Foreign Affairs acknowledged receipt of the German Minister's note but made no comment, and has taken no position with reference to the matter.

The Norwegian Minister in Buenos Aires, whose territory includes also Peru, addressed a communication to the Ministry for Foreign Affairs in which the request was made that the Peruvian government embargo the funds of Norwegian nationals in order to prohibit their removal by German interests. The Ministry in this case acknowledged receipt of the note, informed the Norwegian Minister that the total amount of such funds in Peru was extremely small, and did not take a definite position as to whether the funds could, should, or would be embargoed.

These are the only cases that have come to the attention of the Ministry for Foreign Affairs. Both of them were in the interests of the nationals of these two countries and not in favor of Germany.

The German Minister has made no request nor sent any communication other than that mentioned above, according to the Secretary General.

Respectfully yours,

R. Henry Norweb.

A true copy of
the signed original (i) t.p.

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TO THE SECRETARY
GENERAL
DIVISION OF INT.

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M.I.D., W.D.
Tentative Lessons
Bulletin No. 44
September 12, 1940TENTATIVE LESSONS FROM THE RECENT
ACTIVE CAMPAIGN IN EUROPENOTICE

This document is being given an approved distribution, and no additional copies are available in the Military Intelligence Division. Its reproduction in whole or in part is subject to the provisions of letter TAG, November 15, 1939, AG 350.05 (11-1-39) M-B-M, "Dissemination of Military Information by the Military Intelligence Division and by Recipients of M.I.D. Information".

The information contained in this series of bulletins will be restricted to items from official sources which are reasonably confirmed. The lessons necessarily are tentative and are in no sense mature studies.

THE BRITISH INFANTRY TRAINING CENTERSOURCE

This bulletin is based upon notes taken by an official American observer on the occasion of a visit to a British Infantry training center in June, 1940. The notes were later checked with the general staff officer in charge of training, British War Office.

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- I. GENERAL.
- II. WAR OFFICE LETTER ON POST-MOBILIZATION TRAINING.
- III. TRAINING PROGRAMS.
 - A. Infantry Training Syllabus.
 - B. Program of Specialized Training for Drivers and Carrier Personnel.
 - C. Program of Specialized Training for Signallers.
- IV. OBSERVATIONS ON TRAINING.

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I. GENERAL.

The Infantry training center visited was that of the Oxfordshire and Buckinghamshire Light Infantry. In peace, when it was the depot of this regiment, it trained recruit replacements for the two Regular Army battalions of the regiment and had a capacity of 350 men, including the non-commissioned instructors. Since the declaration of war in September 1939, housing for an additional 1,600 men has been erected, and there are now approximately 2,000 men constantly in training.

Before the war, all recruits came from the counties of Oxfordshire and Buckinghamshire, but under present war conditions, they come from seven counties between Buckinghamshire and the Welsh border. From this area approximately 350 newly called conscripts report on the fifteenth of each month. Each new group forms a recruit company and goes through the first eight weeks' training as a unit. There are two of these recruit companies, each of which absorbs a new group every other month.

The training cadre for each company consists of three officers and about fifteen sergeants. These officers and non-commissioned officers are picked men, either held back from their regular battalions or called to active duty from the regular army reserve.

During the first eight weeks, all men receive identical basic infantry training, but each is carefully observed and rated as to his qualifications or adaptability for becoming a signaller, a motor driver, or carrier personnel. If he is selected for training as the driver of an internal combustion engine vehicle, he receives eight weeks' further training. This additional period is devoted mainly to practical work in driving and maintenance of vehicles.

If selected for special training as a signaller or as carrier personnel, he receives 12 weeks' additional specialist training.

Men who satisfactorily complete the first eight weeks' basic training but are not selected for specialist training are given a second eight weeks' training as riflemen and Infantry mortar personnel. This second period is used, in general, for continuation of the training given in the first eight weeks, with additional time and emphasis on certain subjects.

It should be understood that only the first eight weeks are spent in the recruit or intake company. All additional training is given in companies or detachments organized for that purpose.

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Signallers trained at Infantry training centers are destined for service with rifle companies and battalions only, and not with signal organizations of divisions or higher echelons. Men to be used in the latter units are trained by, and become members of, the Royal Corps of Signals. Signallers trained at Infantry training centers do not receive radio instruction.

Upon conclusion of 16 weeks' satisfactory training as riflemen, trainees go from training centers to one of the following groups:

A. Infantry Organizations. Where replacements are needed, every effort is made to furnish them from the same territorial area to which the organization belongs.

B. Holding Battalions. These battalions consist of varying numbers of war strength companies, according to the housing capacity of the camps or areas (billets) to which they are assigned. They are not organized or classed as tactical units and do not form parts of brigades or divisions. However, they do receive training appropriate to Infantry battalions and brigades. When first instituted, holding battalions were intended to be reservoirs of trained men for replacements to existing divisions. Under present circumstances, with invasion of England threatened, their men go to depleted organizations returned from France and to home defense units.

II. WAR OFFICE LETTER ON POST-MOBILIZATION TRAINING.

Quoted below is a recent War Office letter on the subject of post-mobilization training at Infantry training centers. Reference should be made to Paragraph III, this bulletin, which presents a training syllabus. The letter follows:

"The officer commanding the infantry depot in peace is charged with the duty of preparing a detailed syllabus for post-mobilization training. On mobilization, if this officer is not in command himself, he will be responsible to the lieutenant-colonel commanding the Infantry training center for the organization and supervision of all training.

"The depot commander should, in peace, maintain close touch with the affiliated Territorial Army units in order that he may assess the capabilities of the instructional staff he will receive from them, and he should use this information to

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the best advantage. This personnel is due to join him at Z (M) + 7 days. If time permits--that is, if the increment is not formed at once--this Territorial Army personnel should be put through refresher courses to fit them for instructing in the subjects for which they have been designated.

"Anti-gas and passive air defense training of all personnel arriving at the centers will receive immediate attention.

"With regard to the training of reservists, priority should be given to the following subjects:

A. "Provision of instructors in driving and maintenance. If these are not available, arrangements must be made to train instructors either locally or on command and area courses.

B. "Training of drivers of internal combustion engine vehicles and carrier personnel.

C. "Cadre courses to provide instructors in the Bren gun.

D. "Instruction of all reservists in the Bren gun and antitank rifle.

"Personnel of the center should be designated to take short courses at the various wings of the Small Arms School, including the anti-gas wing.

"Two motorcyclists must be turned out monthly; one of these will be trained in the signal platoon, and one in the Infantry company. They will count against the authorized strengths of these units.

"The training center may be required to hold to a maximum of 12 officers over authorized strength. These officers are commissioned from various sources. Arrangements must be made to utilize them according to their capabilities, to prepare them for courses such as signal, etc., and to give them technical instruction in driving and maintenance, etc., as required."

III. TRAINING PROGRAMS.

A. Infantry Training Syllabus.

This syllabus is used as a guide only. It is based

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Infantry Training Syllabus (Continued)

Subject	Periods	Periods	Total	Periods	Total	Periods	Total	Periods	Total
	During 1st Weeks	During 2d Weeks	for Rifle- men Weeks	During 2d Weeks	for Dri- vers Weeks	Remain- ing Weeks	Car- rier Per- son- nel Weeks	During 12 Weeks	for Sig- nall- ers Weeks
Specialized Training *	-	60	60	-	-	-	-	-	-
Miscellaneous	10	9	19	19	29	11	21	-	10
Specialized Training in Driving & Maintenance	-	-	-	210	210	-	-	-	-
Specialized Training for Carrier Per- sonnel	-	-	-	-	-	264	264	-	-
Specialized Training in Signalling	-	-	-	-	-	-	-	400	400
Map Reading	-	10	10	30	30	30	30	30	30
TOTAL	352	352	704	352	704	528	880	528	880

* Specialized training will include 4 men trained as 3" mortar personnel; 1 man trained as rangetaker; 107 men further trained in tactics or other subjects at discretion of unit commanders.

B. Program of Specialized Training for Drivers and Carrier Personnel.

It will be noted that, in the foregoing syllabus, 210 periods are allotted to drivers for training in driving and maintenance; 264 periods to carrier personnel for specialized training; and 400 periods to signallers for training signalling. The breakdown of these lump sum periods is as follows:

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<u>Subject</u>	<u>Periods</u>
Practical Driving Instruction	50
Practical Maintenance	55
Lectures and Theoretical Instruction	<u>105</u>
Total Periods	210

Carrier Personnel

Practical Driving Instruction (Wheel Vehicles)	50
Practical Driving Instruction (Track Vehicles)	27
Practical Maintenance (Wheel Vehicles)	55
Practical Maintenance (Track Vehicles)	27
Lectures and Theoretical Instruction	<u>105</u>
Total Periods	264

C. Program of Specialized Training for Signallers.

<u>Subject</u>	<u>1st</u>	<u>2d</u>	<u>3d</u>	<u>4th</u>	<u>5th</u>	<u>6th</u>	<u>7th</u>	<u>8th</u>	<u>9th</u>	<u>10th</u>	<u>11th</u>	<u>12th</u>	<u>Total</u>
	<u>Week</u>	<u>Periods</u>											
<u>READING</u>	:	:	:	:	:	:	:	:	:	:	:	:	:
Lamp	: 6	: 8	: 5	: 5	: 3	: 5	: 5	: 4	: 4	: 5	: 3	: 1	: 54
Buzzer	: 5	: 5	: 5	: 3	: 5	: 5	: 7	: 5	: 5	: 5	: 3	: 1	: 54
Semaphore	: -	: -	: 1*	: 3*	: 3	: 4	: 4	: 3	: 3	: 5	: 3	: 1	: 30
(Semaphore	:	:	:	:	:	:	:	:	:	:	:	:	:
Drill not-	:	:	:	:	:	:	:	:	:	:	:	:	:
ed by	:	:	:	:	:	:	:	:	:	:	:	:	:
Asterisks)	:	:	:	:	:	:	:	:	:	:	:	:	:
	:	:	:	:	:	:	:	:	:	:	:	:	:
<u>SENDING</u>	:	:	:	:	:	:	:	:	:	:	:	:	:
Dummy Key	: 5	: -	: -	: -	: -	: -	: -	: -	: -	: -	: -	: -	: 5
Lamp	: 2	: 2	: 2	: -	: -	: -	: -	: -	: 2	: -	: 2	: -	: 10
Buzzer	: -	: 2	: 2	: 2	: -	: -	: -	: -	: 2	: -	: 2	: -	: 10
Semaphore	: -	: -	: 1	: -	: 1	: 1	: 3	: -	: 2	: -	: 2	: -	: 10
	:	:	:	:	:	:	:	:	:	:	:	:	:
<u>LECTURES</u>	:	:	:	:	:	:	:	:	:	:	:	:	:
Morse Code	: 3	: -	: -	: -	: -	: -	: -	: -	: -	: -	: -	: -	: 3
Procedure	: 6	: 6	: 6	: 5	: 2	: -	: -	: -	: -	: -	: -	: -	: 25
Signalling	: 2	: 2	: -	: -	: -	: -	: -	: -	: -	: -	: -	: -	: 4
Lamp (Short-	:	:	:	:	:	:	:	:	:	:	:	:	:
Range).	:	:	:	:	:	:	:	:	:	:	:	:	:

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Subject	: 1st	: 2d	: 3d	: 4th	: 5th	: 6th	: 7th	: 8th	: 9th	: 10th	: 11th	: 12th	Total
	: Week:	: Per-											
	:	:	:	:	:	:	:	:	:	:	:	:	ods
<u>LECTURES (Cont.)</u>	:	:	:	:	:	:	:	:	:	:	:	:	:
Heliograph	-	-	-	-	2	1	-	-	-	-	-	-	3
Telephone	3	3	-	-	-	-	-	-	-	2*	-	-	8
(Asterisk	:	:	:	:	:	:	:	:	:	:	:	:	:
Indicates	:	:	:	:	:	:	:	:	:	:	:	:	:
Practical	:	:	:	:	:	:	:	:	:	:	:	:	:
Tests in	:	:	:	:	:	:	:	:	:	:	:	:	:
D.Mk.V.	:	:	:	:	:	:	:	:	:	:	:	:	:
Telephone)	:	:	:	:	:	:	:	:	:	:	:	:	:
Electricity	-	4	-	-	-	-	-	-	-	-	-	-	4
(Regimental	:	:	:	:	:	:	:	:	:	:	:	:	:
Signallers	:	:	:	:	:	:	:	:	:	:	:	:	:
Knowledge)	:	:	:	:	:	:	:	:	:	:	:	:	:
Galvanometer	-	-	2*	1	-	-	-	-	-	-	-	-	3
Phone &	:	:	:	:	:	:	:	:	:	:	:	:	:
Line Tester	:	:	:	:	:	:	:	:	:	:	:	:	:
(Latter Noted	:	:	:	:	:	:	:	:	:	:	:	:	:
by Asterisk)	:	:	:	:	:	:	:	:	:	:	:	:	:
Visual	-	-	2	2	-	-	-	-	-	-	-	-	4
Stations	:	:	:	:	:	:	:	:	:	:	:	:	:
Field Cables	-	-	3	3	-	-	-	-	-	-	-	-	6
(Infantry)	:	:	:	:	:	:	:	:	:	:	:	:	:
Jointing	-	-	-	2	1	-	-	-	-	-	-	-	3
Orderlies	-	-	-	-	-	-	2	2	-	-	-	-	4
Phonograms	-	-	-	-	-	2	-	-	-	-	-	-	2
Exchange	-	-	-	-	-	-	2	2	2	-	-	-	6
Operating	:	:	:	:	:	:	:	:	:	:	:	:	:
Fullerphone--	-	-	-	-	-	-	-	2	2	-	-	-	4
To Include	:	:	:	:	:	:	:	:	:	:	:	:	:
Practical	:	:	:	:	:	:	:	:	:	2	-	-	2
Infantry Bat-	-	-	-	-	-	-	-	-	-	2	-	-	2
talion Com-	:	:	:	:	:	:	:	:	:	:	:	:	:
munications	:	:	:	:	:	:	:	:	:	:	1	-	1
Royal Artil-	-	-	-	-	-	-	-	-	-	-	-	-	1
lery Commu-	:	:	:	:	:	:	:	:	:	:	1	-	1
nications	:	:	:	:	:	:	:	:	:	:	:	:	:
Cavalry Com-	-	-	-	-	-	-	-	-	-	-	-	-	1
munications	:	:	:	:	:	:	:	:	:	:	:	:	:
	:	:	:	:	:	:	:	:	:	:	:	:	:
<u>PRACTICAL</u>	:	:	:	:	:	:	:	:	:	:	:	:	:
Helio Align-	-	-	-	-	-	3	-	-	-	-	-	-	3
ing	:	:	:	:	:	:	:	:	:	:	:	:	:

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Subject	1st Week	2d Week	3d Week	4th Week	5th Week	6th Week	7th Week	8th Week	9th Week	10th Week	11th Week	12th Week	Total Periods
PRACTICAL	:	:	:	:	:	:	:	:	:	:	:	:	:
(Cont.)	:	:	:	:	:	:	:	:	:	:	:	:	:
Pair Work	-	-	3	5	4	6	5	2	3	2	-	-	30
(Visual Signals and Line Telegraphy)	:	:	:	:	:	:	:	:	:	:	:	:	:
Line Station Work Scheme:	-	-	-	-	-	-	-	-	4	-	-	-	4
Exchange	-	-	-	-	-	-	4	-	4	2	-	-	10
Operating	:	:	:	:	:	:	:	:	:	:	:	:	:
Jointing	-	-	-	1	2	-	-	-	-	1	-	-	4
Cable Laying (With Maintenance and Fault Finding)	-	-	-	-	4	-	-	4	-	3	-	-	11
SPARE PERIODS	1	1	1	1	1	1	-	-	-	-	-	-	6
TESTS	-	-	-	-	5	5	5	5	5	5	5	5*	40
(Tests on Field Work Noted by Asterisk)	:	:	:	:	:	:	:	:	:	:	:	:	:
FINAL TESTS	-	-	-	-	-	-	-	-	-	-	-	-	12 : 12
SCHEMES	-	-	-	-	-	-	-	-	-	-	-	-	10 : 14 : 24
TOTAL PERIODS	:33	:33	:33	:33	:33	:33	:33	:33	:34	:34	:34	:34	400

IV. OBSERVATIONS ON TRAINING.

In physical training the greatest emphasis is placed on the development of agility and quick thinking. All exercises and games used are for that purpose, while endurance is developed by infantry drills and road marches under full pack.

Facilities for target practice are limited to a 30-yard range for the service rifle and Bren gun, and a 50-foot, .22 caliber indoor range. First firing is done on the small bore range, where firing positions, trigger squeeze, proper sighting, etc., are stressed.

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Men do not fire the service rifle on the 30-yard range until they are considered qualified on the small bore range.

When the men graduate to the service rifle range, they fire a few rounds every few days, rather than the full ammunition allowance during consecutive days devoted only to firing. During the 16 weeks' training, each man fires 150 to 200 rounds with his service rifle. Usually only one section is on the firing line at any one time, and each man is coached both by his section leader and by a specially picked sergeant, an expert shot who has no other duties. After a man has fired five rounds, the sergeant goes over his target with him; it is marked with his name and the date of firing. The next time he comes up to fire, his previous target is brought out, and he goes over it with the sergeant with a view to correcting errors which have previously resulted in poor shots.

Shortage of standard equipment for training drivers and carrier personnel is acute. Only two Bren gun carriers and two army trucks were available. As substitutes, 14 commercial passenger vehicles had been purchased, second-hand, and were being used for training drivers. The instructor said the greatest drawback to the use of these vehicles was that they all have synco-mesh gear changing, whereas no standard army vehicle, except passenger cars, had this. Men trained to drive with synco-mesh gears, he said, stripped and crashed straight gears when they changed over.

Men who have not reached a standard of qualification in all subjects at the end of the first eight weeks' training are turned back to start over again in all subjects, instead of being put in special classes devoted to the subjects in which they are deficient. If a man has not qualified at the end of the full 16 weeks, he goes back to the beginning of the second eight weeks' training. Turnbacks from each first-period company of 350 men have averaged 12; from each second-period company, 7.

No tactical training is given at the training center beyond that of a company of Infantry in extended order. Further training is left to the holding battalion or to the organizations to which men are later assigned. All emphasis is placed on the greatest possible individual training. That the British can afford to do this is, of course, due to the fact that they have many more men trained or in training than existing organizations can absorb. Such organizations must have the arms and equipment to give tactical training to units larger than infantry battalions. With all British troops out of France and with England faced with the threat of German invasion, holding battalions can be used as beach patrols, anti-parachute troops, and personnel for many other home defense purposes.

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The standard of individual training is very high. Only about seven men out of 350 fail to reach it after 16 weeks, and this is a tribute to the 15 Regular Army sergeants on duty with each company. Most of these men went through the last war and have been either continuously on active service since then or only recently retired. They consider themselves at the prototypes of the men they are training, and every trainee is the sergeant's personal representative in the new army.

The barracks are comfortable, the mess is very good, and the development of the men from recruits to trained soldiers is evident in their physique, smartness, alertness, and self-confidence. It is said that the men average a gain of 1 to 1½ inches in chest measurement and 14 pounds in weight during the 16 weeks.

There are some 60 sergeants on duty. They have separate barracks with rooms for two. Each room has a wash basin with hot and cold water, two full-sized beds, two large built-in lockers, a large table with reading lamp, and two comfortable chairs. The sergeants have their own bar and recreation room, which is very well furnished; their own mess, with first-class china, glass, silver, and linen, and an extremely good cook. They come in to dinner polished, pressed, and groomed to the last degree, and they are an impressive lot of soldiers.

Except for the column of threes, training in the school of the soldier, in the section, platoon, and company, and in both close and extended order formations is so much like our own that it will not be described. The smartness, precision, and snap obtained in every form of drill and instruction are, however, worthy of emulation in any army. Quickness of response to orders is a strongly stressed point. Changing of the guard by men who had just finished the first eight weeks' training would have done credit to much older soldiers.

One very interesting platoon was observed at drill. It was composed of second lieutenants newly appointed from civil life with no prior military training beyond something similar to our R.O.T.C. Among these men were two Oxford instructors, a well known barrister, several members of the landed gentry, and the Earl of Buckinghamshire. They were being put through the regular 16 weeks' course, with extra work in the form of officers' courses.

Drivers and carrier personnel are trained in practical driving through heavy traffic and on all types of roads; in practical maintenance on vehicles which are torn down and rebuilt, and in theory by lectures illustrated with drawings and by study of

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stripped or sectionalized engines, chassis, and electrical and lubricating systems.

Training in signalling is almost entirely practical. Great emphasis is placed on knowledge of the Morse code and its transmission and reception by any means available. Except for class instruction, men always work in pairs, which are changed each day.

* * * *

NOTE

The following information on training in the British Army has previously been published in TENTATIVE LESSONS BULLETINS:

<u>TLB No.</u>	<u>TITLE</u>	<u>CONTENTS</u>
10	RECOMMENDATIONS OF A BRITISH OFFICER BASED ON EXPERIENCE IN THE BELGIAN CAMPAIGN	Remarks on the merits and defects of British equipment in Flanders.
22	No Title (See Paragraph 3)	General notes and recommendations.
29	SOME ASPECTS OF TRAINING IN THE BRITISH ARMY	Advantages of training center method over training in tactical units. Necessity for modifying methods, although not principles, of training.
37	INFORMAL NOTES ON ORGANIZATION AND TRAINING OF BRITISH CONSCRIPT FORCES	Remarks on training of the militia (called up in July and September, 1939, and later absorbed by the Regular Army).
41	FURTHER NOTES ON BASIC TRAINING IN THE BRITISH ARMY	Suggestions for the U.S. National Guard, based on British experience. Actual results of good basic training. Notes on doubling The Territorial Army.

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GRAY

(Paris)
Vichy

Dated September 12, 1940

Rec'd 7:23 p.m.

SECRETARY OF STATE
RECEIVED
SEP 12 1940
JR

Secretary of State,
Washington.

549, September 12, 6 p.m. (SECTION ONE)

FOR THE TREASURY FROM MATTHEWS.

FOR LOREE GUARANTY TRUST COMPANY FROM BARRETT.

"In order to carry out wishes expressed in your cable 7310 our intention is as rapidly as we can provide necessary cash through liquidation of quick assets such as French Government bonds to request many of our ordinary individual and commercial depositors to withdraw franc credit balances giving them as our motive simply our desire to restrict our business under present circumstances. With respect to commercial borrowing customers we feel we must of course continue to accept their franc deposits inasmuch as part of these deposits would normally or could eventually be used to reduce indebtedness to us. We will proceed to liquidate as rapidly as conditions permit obligations to us of purely French companies but would be glad to have you advise us if you feel we should press or even request subsidiaries of American companies to retire or reduce indebtedness that is guaranteed by surveyor companies.

EMB

MATTHEWS

AS

GRAY

(Paris)
Vichy

Dated September 12, 1940

Rec'd 10:52 p.m.

Secretary of State,
Washington.

549, September 12, 6 p.m. (SECTION TWO).

We have in mind particularly our heaviest borrower the Gironde whose account and financing it is our idea to continue handling as at present unless you feel differently. Please cable us whether this general programme is in accord with your own ideas. While we will naturally proceed as prudently as possible in requesting deposit withdrawals you will realize that this may nevertheless precipitate uninvited withdrawals prior to our readiness to meet them easily and also that our general programme might result in the diminishing or cancellation of our rediscount facilities which might produce circumstances under which we would have to call on you for dollars to meet our franc engagements unless we could readily obtain liquidation through American guarantors of indebtedness to us of their subsidiaries. We feel that

AS-2- No.549, Sept. 12, 6 p.m.(SECTION TWO), fr. Vichy.

that with regard to the two loan accounts of Columbia Films S.A. inasmuch as there is no possibility of repayment by French company you should immediately call on parent company as guarantor to pay off on October first francs 2,500,000 maturing on that date and also francs 9,600,000 which is carried by Uruguayans subject to repayment under ten days notice. Suggest your replying this cable through Washington".

For your information the foregoing is in reply to a telegram received by Barrett today instructing him to reduce franc deposits and franc assets of the Guaranty Trust Company at Vichy, Paris and Le Havre "as rapidly as possible". The "Gironde" referred to is French subsidiary of the Texas Oil Company.

(END OF MESSAGE).

MATTHEWS

ROW

DEPARTMENT OF STATE
WASHINGTON

202

16

In reply refer to
HA 840.51 Frozen Credits/556

September 12, 1940

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury, and transmits herewith a copy of despatch no. 3219 from the American Embassy at Berlin, dated August 22, 1940, regarding the request of the Peruvian Legation in Berlin for the release of funds held for the account of Peruvian officials by the American Express Company, Amsterdam, with the American Express Company, New York, New York.

Enclosure:

From Berlin, no. 3219,
August 22, 1940,
with enclosure.

CCPYEMBASSY OF THE
UNITED STATES OF AMERICA

AIR MAIL

Berlin, August 22, 1940.

No. 3219

Subject: Request of the Peruvian Legation in Berlin for the Release of Funds Held for the Account of Peruvian Officials by the American Express Company, Amsterdam, with the American Express Company, New York City.

The Honorable
The Secretary of State,
Washington, D. C.

Sir:

I have the honor to enclose a copy of a memorandum dated August 20, 1940, received from the Peruvian Legation in Berlin requesting the release of the sum of \$21,848.43 paid by the Peruvian Consulate General at Hamburg and by two Peruvian Consular officers there to the American Express Company at Amsterdam, Netherlands, and which sum is held for the account of the foregoing company by the American Express Company at New York City.

As the Department will note, this sum which was paid in by the Peruvian depositors to the bank at Amsterdam has been blocked in accordance with the provisions of the President's Executive Order of April 10, 1940 (as amended by the Executive Order of May 10, 1940), and the Regulations issued thereunder relating to certain transactions in foreign exchange, transfers of credits, et cetera, if involving the Netherlands, nationals thereof, or persons domiciled therein. The Department is respectfully requested to transmit the request of the Peruvian Legation to the Treasury Department in order that a license may be issued, if permissible under the Regulations, which will allow the American Express Company at New York City to release the sum in question to the American Express Company at Amsterdam so that the Peruvian depositors may make use of their dollar accounts.

The

- 2 -

The Department is respectfully requested to inform the Embassy of the action taken in this matter.

Respectfully yours,

A. KIRK

Charge d'Affaires a. i.

Enclosure:

Copy of memorandum from the Peruvian Legation.

851.6
CJW:EK

The Department has received a copy of the

following report in the file of the

American Legation, Santiago, Chile.

Peruvian Legation to General in Santiago, Chile, 11/11/50

General Legation to Santiago, Chile, 11/11/50

Peruvian Legation to Santiago, Chile, 11/11/50

Total 11/11/50

As these reports have been filed under general
reference number 851.6 in the file of the Peruvian
Legation in Santiago, Chile, the Peruvian
Legation in Lima would be able to provide any
the necessary information in Santiago would care to be
forwarded the information of the records above mentioned.

Santiago, Chile, 11/11/50.

COPY

Enclosure No. 1 to Despatch
No. 3219 Dated August 22, 1940
from American Embassy, Berlin.

LEGACION DEL PERU
EN ALEMANIA

Memorandum

The Peruvian Consulate General in Hamburg
has the following account in USA dollars in the
American Express Company, Amsterdam Branch:

Peruvian Consulate General in Hamburg	USA \$	633.48
Consul Cesar A. de Paz		19,554.50
Vice-Consul Federico G. Klinge		2,660.45
		<hr/>
Total USA	\$	21,848.43

As these accounts have fallen under general
measures blocking credits in Holland, the Peruvian
Legation in Berlin would deeply appreciate any step
the American Embassy in Germany would care to take
towards the releasement of the accounts afore-mentioned.

Berlin, August 20, 1940.

940 SEP 12 AM 11 21
AMERICAN LEGATION
RECEIVED

Book 335, p 205-207

Printed in Senate Internal Security
 Subcommittee print, Morgenthau Diary
(Germany), vol. 1, P 205-207
China

H.M.Jr: Hello.

James

Forrestal: Good morning, Henry.

H.M.Jr: Good morning. Look, I had at my house last night Nathan Straus and he was telling me some of his troubles. Now he's got \$100 million which he can put into housing for you - tomorrow - and I told him to give you a ring.

F: Fine.

H.M.Jr: Now he says he can have these things finished in about four or four and a half months and he has the choice of doing slum clearance or this and I told him for heaven sakes do this.

F: Yeah.

H.M.Jr: And he can start tomorrow, the plans are drawn and everything and I'm just calling you so if he calls you, you'll know what it's about but forget that I called you.

F: You bet. Thank you very much, Henry.

H.M.Jr: But this is something I figure that you fellows really want over there, isn't it?

F: I certainly think it is.

H.M.Jr: Well, he's got \$100 million that he can put into houses for workmen in connection with the Navy Yards today.

F: Yeah.

H.M.Jr: He's got full authority.

F: O. K. I certainly want to talk to him. Thank you.

H.M.Jr: Thank you.

September 12, 1940

9:21 a.m.

H.M.Jr: Hello.

Operator: Mr. Sulzburger.

Arthur Sulzburger: Good morning, Henry.

H.M.Jr: Hello, Arthur. I was sorry I couldn't talk yesterday but I was on the Hill on the tax bill all afternoon.

S: Yes I heard you were having a bad time, I mean, a troublesome time.

H.M.Jr: That's right.

S: Henry, listen, I'll tell you why I called you. I met again yesterday for the second time a young man that I think you should see.

H.M.Jr: Right.

S: His name is Nussbaum - N-u-s-s-b-a-u-m. He was a Rabbi in Berlin up to August 1st of this year.

H.M.Jr: Yes.

S: He's a man about 32, he'd just finished his rabbinical studies and gotten a Berlin post in 1932 when Hitler came in and he's been there in that job as one of the leading Jews there ever since.

H.M.Jr: Yes.

S: He's a most attractive looking fellow and taught himself English which he speaks remarkably well and I thought his story was sufficiently dramatic and some of the things that he had to say of what the Gestapo had told him as to the ultimate plans for the Jews there, if you were to hear it and if you're as much impressed, to pass him on to higher ups.

- 2 -

H.M.Jr: I see. Well, now how can I see him Arthur?

S: What's that? On the other hand if you are

H.M.Jr: How can I arrange to see him? wouldn't it

S: Well, I told him that I would pay his expenses down. He would very much like to come down as quickly as he can. He has a post - that's the way he got here - he got one of those exempt visas - I've forgot what you call them - which Stephen Wise got for him and he's got a post away out in Oklahoma and he's planning to go there. And I told him that I would pay his expenses to Washington and after you were through with him I told Arthur to take

H.M.Jr: Hello. Hello. guarantee is that you will

Operator: Operator. active she anybody would like to

H.M.Jr: I was cut off.

Operator: Oh, I'm sorry. I'll get him right back. and

H.M.Jr: Hello. you realize we?

S: Hello, Henry. I was just saying he could come down any time you want him to, the sooner the better.

H.M.Jr: Well, I can see him at 9 o'clock tomorrow morning.

S: Right. Now, Henry, another thing. If you wanted to, he's the kind that you could very easily have at lunch or supper. He's really an extremely attractive young man. All I'm trying to tell you is this, if you and Ellie wanted to have him that way, you'd be perfectly fascinated, but I think this, that you'd want a little more time than an office appointment.

H.M.Jr: Well, Elinor isn't here. Do you think I'd better have him come to the country?

S: Well, he could do that, yes.

- 3 -

- H.M.Jr: Well
- S: Well, listen, on the other hand if you are interested and wanted to pass him on, that would make it more difficult, wouldn't it?
- H.M.Jr: No, because I wouldn't be able to pass him on right away anyway, I mean, it would take several days.
- S: Yes. Well, if he and his wife could drive - I could put a car at their disposal and get them up to see you in the afternoon or something like that.
- H.M.Jr: Well, I was just thinking. I don't know what Elinor's plans are, that's the trouble.
- S: One thing I can guarantee is that you will not be bored and that he is very charming and attractive and anybody would like to meet him.
- H.M.Jr: Well, my trouble is I don't know what Elinor's plans are, you see, Saturday and Sunday, and did you want him to see somebody else here in Washington besides me?
- S: Well, yes. I thought that while he was down there that - I thought that a man like Welles for example would be very interested in seeing him and I asked Arthur Krock to arrange that.
- H.M.Jr: Uh-huh. I don't think Welles is here.
- S: I see.
- H.M.Jr: I tell you, Arthur, it sounds silly but I think it'd be easier for me to see him here tomorrow morning and then possibly I could arrange to see him again if necessary.
- S: Right.
- H.M.Jr: But I could see him definitely at the Treasury at 9 tomorrow morning.

- 4 -

September 12, 1940

5 a.m.

S: 9 o'clock tomorrow. I'll have him there.

H.M.Jr: And then if I don't have time enough I'll arrange it, but I appreciate your calling me.

S: He has told me this - just to give it to you quickly - that the Gestapo told them very definitely that in a Europe in which Hitler is victorious that 4½ million Jews, who are now in Europe, are to be moved to Madagascar.

H.M.Jr: I see. Well, that's very interesting.

S: So at 9 o'clock tomorrow morning - his name is Nussbaum - N-u-s-s-b-a-u-m.

H.M.Jr: O. K., Arthur.

S: Right, Henry.

H.M.Jr: Thank you.

September 12, 1940
9:25 a.m.

H.M.Jr: Hello.

Henry L.
Stimson: Yes, Hello.

H.M.Jr: This is Henry talking. You called me
yesterday and I was up on the Hill on the
tax bill.

S: Well, I don't remember now what it was I
called you about. There are a lot of things
that are up in regard to procurement and
there are a lot of things that are up in
regard to other things.

H.M.Jr: Well, I'm here all day - I'm here tomorrow
if you want me.

S: Well, the trouble isn't with you, the trouble
is with my memory.

H.M.Jr: Well, I'm here.

S: I had a long talk with Hornbeck yesterday
about the Far Eastern thing.

H.M.Jr: Good. I'm sending you a memorandum by hand
this morning on the steel scrap which I
gave to the President yesterday. Hello?

S: Yes.

H.M.Jr: And I think we're getting somewhere on that.

S: You think they'll put an embargo on it.

H.M.Jr: I'm hopeful now that - they're talking
about.....

S: Yes, I've been watching that. I called up
Maxwell the other day to find out the
situation in which it was and they told me
it was held up in the State Department, and
then I asked about it in the State Department
and they said that Mr. Hull thought they
ought to take time about it.

- 2 -

- H.M.Jr: Well, what they're suggesting doing now is sort of having a - dividing the country up and saying that Japan can get 30,000 tons a month, but only from the Pacific coast, and then giving England and Canada as much as they want.
- S: Yes.
- H.M.Jr: And Leon Henderson, confidentially, is seeing Hull on that today at the President's suggestion and Henderson is carrying the ball and he's quite hopeful.
- S: Yes, well, now one situation to remember in regard to the Japanese, on this, your Far Eastern advisers in the shape of Hornbeck and myself are in accord that you don't make anything by appeasement.
- H.M.Jr: That's right.
- S: Neither of us think that the Japanese are likely to make a sudden dash at the Netherlands. They think that that would expose them - they're very much puzzled now by the arrangement with Britain between us.
- H.M.Jr: Who is?
- S: Japan. They don't know what it leads to and they're funny little guessers - they're not very sensible some times - they're very cautious but they don't know how far we've gone. Indo-China seems to be stalled for a little while. They have not broken the morale of China yet but they are trying - they eventually undoubtedly feel that they must move down towards the Netherlands in order to get oil, but they don't dare do it with a fleet dash that will leave their entire flank open to us. They'd prefer to do it by going through the French Indies and working down the peninsula where their army would be solid on ground.
- H.M.Jr: I see.

- 3 -

- S: But the things that Hornbeck and I talked over were first, a friendly pow-wow with Russia.
- H.M.Jr: Yes.
- S: The cleavage between Japan and Russia is so deep that it can't be - they'll never patch it up as a permanent thing and Russia is a very useful check on that and we ought to be doing whatever we can to keep on reasonably good terms with Russia.
- H.M.Jr: Well, you know I wanted to talk to Russia a couple of months ago. Well, the President authorized me to on a 3-corner deal; we buy something from Russia and Russia'd take the money and give munitions to China and Welles sat on it and stumped it.
- S: Well, Welles doesn't know a damn thing about the Far East.
- H.M.Jr: Well, I'm just telling you that I had this idea a couple of months ago and Welles just killed it.
- S: Well, where was Hull? Was he away?
- H.M.Jr: No, no, he was here.
- S: Well, you remember in the talk that we had with the President all together where Welles and I were, that I didn't hesitate to oppose his views for I don't believe in them.
- H.M.Jr: Yeah. Well, you and I both.
- S: Yes, well that's one thing. But the great thing is help to China.
- H.M.Jr: Well, poor old P. V. Soong is here and we can't do a damn thing for him.
- S: We can't do it with arms, how about money?

- 4 -

- H.M.Jr: Well, we can't do it on money but we could do it on this thing which was the President's own suggestion - a 3-corner deal. We buy manganese, say, from Russia - they have tons and tons that they've offered us for sale
- S: Well, why in the hell don't we do it?
- H.M.Jr: and then have an understanding with them that they take the money that we give them for manganese and use it to help the Chinese. Now that's a practical thing and it's the President's own suggestion.
- S: Well, now, I don't think - the State Department now is trying to make up a little with Germany - with Russia so what's-his-name tells me - Hornbeck.
- H.M.Jr: Yeah, but they
- S: I'd try it again.
- H.M.Jr: You mean if you were me.
- S: Yes.
- H.M.Jr: I think I'll mention it to Mr. Hull.
- S: Yes, do it, I mean, I see no reason - of course, Hull is always very sound but he's pretty slow.
- H.M.Jr: I know.
- S: And between us we've got to help him move a little because the thing - at present Japan is not going to make any drastic move while the battle against Great Britain is uncertain.
- H.M.Jr: That's right.
- S: And while I hope that the eventuality of that will be successful for Great Britain, yet you can't bargain on it and if it should go the other way, Japan would take a very different attitude.

- 5 -

H.M.Jr: That's right.

S: I think we ought to be in a position where we are better off. We ought to do what we're going to do to Japan now and do it damn quick.

H.M.Jr: Right. Well, you're a man after my own heart.

S: All right.

H.M.Jr: Be seeing you soon.

S: All right.

H.M.Jr: Good-bye.

S: Good-bye.

Paraphrase of Code Cablegram Received at the
War Department 1:53 p.m., Sept. 12, 1940

London, Filed 12:32, September 12, 1940

The Royal Air Force last night bombed shipping concentrations in continental ports, Bremen, railroad stations in Berlin, as well as other points.

About 500 German aircraft participated in daylight operations yesterday. One major attack of about 250 planes raided the Kent and Inland areas, with about 30 reaching London. Dover was simultaneously shelled and bombed. Other raids were of a minor nature.

The principal attack last night was on London with minor attacks on Liverpool and the Midlands. Some damage was done in London but nothing comparable to that of previous nights due to the heavy continuous antiaircraft barrages over the city.

The Surrey commercial docks, the London Docks, the Central Telegraph office, and industrial plants at Greenwich, Poplar, Fins and Camberwell were all damaged. The Southern Railroad lines were blocked to all traffic from little north of the Thames River to the south. The Cunliffe-Owen aircraft factory was set on fire by dive bombers and many casualties resulted from a direct hit on an air raid shelter.

German plane losses were 89 confirmed, 34 probable and 53 damaged. The British lost 28 fighters and 17 pilots, as well as 5 coastal reconnaissance planes. Of the 89 German planes destroyed, 48 were bombers. It is estimated that about 250 German air personnel were either captured or killed. There were no British Air Force ground

~~CONFIDENTIAL~~

casualties. Civilian casualties were 53 killed and 320 injured.

A British destroyer escorting a convoy was bombed and hit. The convoy was undamaged. An 8,000-ton British tanker in convoy was bombed and damaged. The British claim the sinking of 10,000 tons of German shipping and one large submarine. Six French cruisers passed through Gibraltar yesterday in a westward direction.

About 12 transports, of from 1,000-3,000 tons, have been identified in the harbor at Bremen. They are all marked with numbers forward, are equipped with paravanes and degaussing cables, and carry wooden rafts and floats on their decks. All German ship movements appear to be taking place by daylight under the protection of the German Air Force. This may possibly indicate that the attempt at invasion will also be made by day.

In Egypt one Italian division moved eastward on the 10th, halting in the Sidi-Omar (Morocco) area.

The morale of the civilian population of London is excellent, although a certain amount of interference to normal activities arises from the interruption of road and railroad communications and from the frequent air raid warnings, which delay work and interfere with the use of telephones. Also some people lose sleep owing to the continual presence of bombers overhead or to accidents such as the explosion which blew Miss McCann's bedroom door across the room. The circulation in the streets of London is slow because of the craters here and there, but more particularly because of the presence of delay action bombs. These are a considerable nuisance because the area in which they fall must be roped off until they explode.

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Last night the British resorted to a heavy antiaircraft barrage without the use of searchlights. This had the double effect of discouraging low flying bombers and of encouraging the public that had seen little defensive activity during the previous nights.

LEE

Copies to: General Watson
Secretary of War
State Department
Secretary of Treasury
Asst. Secretary of War
Chief of Staff
ONI
WPD

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800 DIR. 5200.9 (9/27/58)

~~CONFIDENTIAL~~



BRITISH EMBASSY,
WASHINGTON, D. C.

September 12th, 1940

PERSONAL
AND ~~SECRET~~

Dear Mr. Secretary,

I enclose herein for your
personal and secret information a copy
of the latest report received from
London on the military situation.

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

L. Stovall

The Honourable
Henry Morgenthau, Jr.,
United States Treasury,
Washington, D. C.

Telegram from London dated
September 11th

1. Naval. Reference paragraph 1, sub-paragraph 2, of yesterday's summary. There was no snipping in Calais harbour; destroyers were engaged by heavy shore batteries and several shots were close. At Boulogne only 1 small auxiliary craft was met and was probably sunk; while returning an E-boat was engaged and damaged.

Light naval forces were again operating off French and Belgian coasts last night; destroyers off Ostend engaged a steamer, 3 barges and a trawler which are believed to have been sunk.

Yesterday aircraft of the Fleet Air Arm operating off the Norwegian coast attacked and hit 1 merchant vessel (about 2,500 tons), damaged a small tanker by near misses, and destroyed oil cisterns at Bolvik. One aircraft did not return.

A Norwegian fishery-protection vessel has returned to Iceland and reports having destroyed 2 German meteorological stations on the east coast of Greenland.

2. Royal Air Force. During the night of September 9th/10th direct hits on
barges/

-2-

barges and other targets in northeast French ports were followed by fires and explosions. A gas works at Berlin was attacked, and a violent explosion resulted. Extensive damage was caused at railway sorting [sic] yards at Brussels. Ship yards at Hamburg and Bremen were both attacked by several aircraft; observation was difficult but results believed satisfactory. Single aircraft also attacked railway stations at Cuxhaven and Kiel.

A corrected report states that only 1 of 125 bombers was lost.

Yesterday Cherbourg aerodrome was attacked and fires were started. In the afternoon, E-boats and merchant vessels off Dieppe were bombed. Two E-boats were probably sunk.

Last night 114 bombers were despatched. Objectives were as follows:

Calais, Ostend and Flushing harbours, Bremen dockyard, barges and shipping Boulogne and Flushing, Brussels aerodrome and one other in Holland, Potsdam railway station, railway yards at Brussels, gun-emplacements opposite Dover and E-boats and destroyers off Le Havre.

Mine-laying was also carried out. Two heavy and 2 medium bombers have not returned.

3. German Air Force. Additional reports of night of September 9th/10th. Outside London area: some fires were started in New Forest but are not serious. Blast furnaces at a steel works near

Manchester/

-3-

222

Manchester were hit but production is not affected.

Within London area: the districts where principal damage occurred were the East and East Central. In two areas interference to electrical services has resulted. Some serious fires were caused, chiefly in docks area, and major damage was done by incendiary bombs at one other railway terminus; but on September 10th evening all fires in London region were reported as under control, and fire at Thameshaven as gradually subsiding, one more cistern having been extinguished during the afternoon.

Yesterday owing to weather conditions, enemy aircraft operating singly or in pairs carried out reconnaissance flights only. Two were shot down. A few bombs were dropped in South Coast area and one demolished a railway electricity sub-station.

Last night enemy raiding started at dusk and continued until 4:30. London was again the objective, where docks and railways appear to have been their objective. About 120 aircraft were operating over the metropolis which was a little less than on the previous night and casualties are thought to have been on a
greatly/

greatly reduced scale. A few aircraft also went to South Wales and the Liverpool area but caused little damage and no casualties. In the London area a major fire was caused in the docks near the Tower Bridge, and elsewhere in the docks hydraulic mains were burst. One Thames bridge is temporarily closed owing to the importance of the fire in an adjoining factory. Unexploded bombs fell in a goods yard, fires were caused in a tea warehouse and a timber yard. Other fires and damage caused was not of a military nature.

Previous fires. The fire in the City is still burning and 75 pumps are in action. Those at oil installations on the south bank of the Thames estuary have been extinguished but require watching.

It is now reported that on the night of September 8th/9th Somerset House and the Royal Courts of Justice were hit causing serious damage at both places.

4. Summary of Air Casualties.

Eney casualties:

By our fighters:	Destroyed	Probable
Bombers	2	1

British casualties:

1 fighter destroyed (pilot safe)

S./

-5-

5. Shipping casualties.

By submarine:

Early this morning 1 British ship (4,700 tons) and 1 Dutch ship (2,000 tons) were torpedoed in the Northwestern Approaches.

Yesterday morning a Norwegian ship (4,300 tons) was bombed and sunk when in convoy. Yesterday morning a British ship (5,800 tons) was bombed by aircraft about 500 miles east of Mauritius.

A convoy of 51 ships has arrived. Cargoes include 16 of steel, 20 of lumber, and there are 2 tankers.

6. Middle East.

Egypt and Libya. On September 9th 35 medium bombers attacked harbours, landing grounds and mechanised transport in Eastern Libya. Two enemy aircraft were destroyed on the ground and bombs fell among concentrations of aircraft and mechanised transport.

All our machines returned safely. On the same day, the enemy bombed Mersa Matruh but only slight damage was done and there were no casualties.

Sudan. On September 7th three aircraft successfully bombed an Italian aerodrome where one enemy aircraft was shot down.

Palestine/

-6-

Palastine. On September 9th enemy aircraft attacked Tel Aviv, fires were started and several houses were damaged.

7. Reference summary of September 10th, paragraph 3, sub-paragraph 2. It is known that during this raid the German Air Force had orders to break off their task if our fighter opposition proved too strong.

GROUP MEETING

September 13, 1940
9:30 a.m.

Present: Mr. Bell
Mr. Gaston
Mr. Sullivan
Mr. Chamberlain
Mr. Young
Mr. Cochran
Mr. Graves
Mr. Thompson
Mr. Schwarz
Mr. Foley
Mrs Klotz

H.M.Jr: I prefer the Sullivan-Foley-Morgenthau button.
Foley: That is a good button.
H.M.Jr: This?
Foley: Yes.
Gaston: That is, you can tell it is a Roosevelt button.
It isn't anything like the Willkie button.
It is rather good looking.
H.M.Jr: Third term is three stars?
Gaston: Yes.
H.M.Jr: I don't like it. Have you (Sullivan) got to go on the Hill?
Sullivan: Not until 12:00 o'clock.
H.M.Jr: Then you can rest here with me.
Sullivan: Sure.
Were you looking for Bob Kintner?
H.M.Jr: No. He is looking for me.

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Sullivan: He is in my room and he said he thought you were looking for him.

H.M.Jr: Oh, is he in your room?

Sullivan: Yes.

H.M.Jr: Is he going to wait there until he sees me?

Sullivan: I don't know.

H.M.Jr: I could see him for a minute right after this meeting if he is still there.

Sullivan: All right.

H.M.Jr: What is he going to do, wait until you come back?

Sullivan: He came in to see me and then he said he wanted to see you, or he wanted me to tell Mrs. Klotz he was in there, in case you wanted to see him.

H.M.Jr: Let's see how long this meeting goes. I've got this Frenchman coming in at 10:00, isn't it? Isn't that appointment at 10:00?

Cochran: Yes, sir.

H.M.Jr: How long will that take?

Cochran: Not very long.

Sullivan: I will hold on to him until you get through with that meeting.

H.M.Jr: Is this just a "hello" meeting?

Cochran: I hope that is all. I think we can keep him off anything else.

- 3 -

H.M.Jr: Let's do this tomorrow.

Thompson: I have nothing.

Bell: I have a letter about the Social Security.

H.M.Jr: I hear we spent it, according to last night's editorial.

Bell: We spent it?

H.M.Jr: Yes. Scripps-Howard just found out we spent it. What else have you got?

Bell: Mr. Schwarz sent me a letter addressed to you from the editor of a little magazine called "Bond Account" and he wants a statement from you as to how you are going to finance the defense program. I think either Mr. Schwarz or I might answer it and say we can't make any statements.

H.M.Jr: Any money in it?

Bell: It doesn't say anything about any money.

H.M.Jr: All right.

Schwarz: An advance tip is all they want.

H.M.Jr: I see.

Bell: It looks as if it is going to be a nice afternoon, so I might play golf.

H.M.Jr: Around 4:00. How many people around here will you take with you?

Bell: I have got a threesome in the Treasury. I have got an open end if anybody wants to volunteer.

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- H.M.Jr: All right; okay.
- Harold?
- Harry?
- White: You asked for a copy of a memorandum with regard to China that you might want to give to Secretary Knox, I think you said. This is what you gave to the President. I don't know whether you want to send that. I took some excerpts that referred to the particular problem and made the memorandum to you.
- H.M.Jr: Oh, yes. Stimson is the man, Secretary Stimson.
- White: I thought it was Knox.
- H.M.Jr: Well, thank you.
- White: You will decide which of the two memos you want, or is that the one?
- H.M.Jr: This is it.
- White: As a matter of passing interest, the British are having somewhat the same difficulties about expanding their armament plants that have been present in the discussions here. There is a reluctance on the part of the manufacturers to increase their plants, even though they have more orders than they can take care of, because they are afraid that they will be left with excess capacity after the war is over, and there is an increasing demand that the Government take over the plants in London. I thought perhaps you would be interested in that.
- H.M.Jr: George?

- 5 -

- Haas: You know we are getting weekly reports from the British Purchasing Commission and now that the other industry reports are every other week, I wondered if you wanted to see in the - in the odd week, take a look at the British report.
- H.M.Jr: What do you think? What does that show?
- Haas: It shows more on the British picture than the general industry report. For example, you take the type of plane, it will show how many bombers, how many pursuit planes, how many trainer planes have been delivered to date, and how many are on order, and so on.
- H.M.Jr: Yes, I never get that.
- Haas: There is a new one just in now. Would you like to have me send it in?
- H.M.Jr: If you please.
- Haas: Fine.
- H.M.Jr: Anything else?
- Haas: That is all.
- H.M.Jr: Philip, you look as though you didn't see the report either. Did you see it?
- Haas: He gets it. Whether he looks at it or not, I don't know.
- Young: I get it.
- H.M.Jr: Okay. I would hate to cross-examine you on it. It is like the stuff that Cochran sends to me. Every once in a while I give you an answer.

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- Young: On this 10:30 meeting this morning, I would like to see you about three minutes before it.
- H.M.Jr: All right. Anything else?
- Young: No, that is all.
- H.M.Jr: Do you want to get here two minutes ahead of Berle?
- Young: That is all right, too.
- H.M.Jr: All right.
- Cochran: Chick?
- Schwarz: Otto Tolischus, who was Berlin man for the New York Times and Pulitzer prize winner, came in town last night. He called this morning and said Mr. Salzberger had asked him to come in and see you and he would like to see you today, if possible.
- H.M.Jr: Impossible. I would like to see him Monday or Tuesday.
- Schwarz: I don't know whether he is going to be here.
- H.M.Jr: I can't do it today. Anything else?
- Schwarz: That is all.
- Cochran: Professor Chamberlain asked me to mention a telephone call we had from the National City Bank this morning at half past eight. They haven't gone ahead with that Spanish proposition of getting belgas in Spain so far, because half of the amount was offered in currency delivered at Madrid, which wasn't what they desired, so they got in touch with Switzerland, and they find there that

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- the Swiss banking corporation can give them up to one million belgas, but they have to make a quick acceptance and --
- H.M.Jr: This goes to Brussels?
- Cochran: This is for the Brussels and Antwerp agencies.
- H.M.Jr: Why not?
- Cochran: It is just a question of where to get them.
- H.M.Jr: I don't care. Let her go.
- Cochran: Yes, sir.
- H.M.Jr: That amendment of Senator Brown's on future taxation on Government, you know, we are in favor of that.
- Sullivan: He didn't say a word about it at the Committee.
- Bell: Are we in favor of it, unless they take in local administration?
- H.M.Jr: No. It has to be unanimous.
- Sullivan: What we are in favor of is the paragraph you had in your statement before the Senate Finance Committee in the Revenue Act of 1940.
- H.M.Jr: Are we in favor of that?
- Bell: Yes. But I thought Brown's amendment - I just read a comment on it in the paper - only covered Federal.
- Sullivan: That is right.
- H.M.Jr: I am glad I brought it up. What else? How is the old plumbing?

- 8 -

Sullivan: Swell.

H.M.Jr: Did you sweat?

Sullivan: Not yet.

H.M.Jr: I am around, if anything happens. I go to Cabinet at 2:00. If you know anything before that, give me a little buzz before 2:00.

Sullivan: All right, sir.

H.M.Jr: According to the papers, they are not going to - they are going to finish the Bath bill this morning before they take the taxes up.

Sullivan: Senator Harrison seems to think there is a chance of a vote on this today or tomorrow and he is talking about having the Conference Committee meet on Sunday. I don't think that they are going to vote on this thing until Monday or Tuesday, but if they are going into conference that quickly - are you leaving right after Cabinet?

H.M.Jr: My telephone works.

Sullivan: It will be used.

H.M.Jr: I am sure it will. Anything else?

Sullivan: No, sir.

H.M.Jr: Ed?

Foley: The British Ambassador signed that letter on the Rolls-Merlin engines, and here is one for the Secretary of State and here is formal reference to Stimson. We have already sent a copy over to General Arnold and Judge Patterson and I think they have gone ahead.

- 9 -

- H.M.Jr: Should I read Lothian's letter?
- Foley: Yes, sir. They kept the original in State, but here is a copy. They don't say anything about the two million, because they leave it to us to fix the amount.
- H.M.Jr: They needn't know that I have set up two million. Are copies of all this in my office?
- Foley: Yes, sir, and I am returning these papers. Here is a little - I don't know whether you want to do this this way or not, but this letter Feidler sent to me.
- H.M.Jr: I sent it personally.
- Foley: I thought you could see Norman and Norman could look it over and if he isn't a screwball, maybe they could use him in the Exchange Control place.
- H.M.Jr: Isn't Feidler the fellow that --
- Foley: He doesn't work for me. This fellow was over in the Procurement Division and they let him out when the emergency funds were exhausted.
- H.M.Jr: Before that goes, give it to Graves. You (Graves) know about Feidler, don't you?
- Graves: I know about him, but I don't know him.
- H.M.Jr: Just read this thing and see if it should go.
- Isn't there another Feidler?
- Foley: Yes, he is my man, Bernie Feidler, but he is no relation to this fellow. This is a

- 10 -

very peculiar letter he wrote to you and it is obvious he is looking for a job. I guess he has been out of work since he left Procurement. He gives Clifton Mack as one of his references. I thought you couldn't understand why he wrote you the letter or what he had in mind, that is why you sent it to me.

H.M.Jr: I thought he was your pal, Feidler. Anything else?

Herbert?

Gaston: I don't imagine you will have an opportunity to see Captain Meals, the Captain of the Comanche, today, who has been up in Greenland.

H.M.Jr: If he is around Monday, I would.

Gaston: I will find out whether he is going to be around Monday.

We have been asked to have a Coast Guard airplane participate in this dedication on Gravelly Point Tuesday. It will take off from Bolling Field and go over and alight there. They are going to have a big Army and Navy air show which they haven't yet announced. I presume you will get an invitation to participate, but I imagine you don't want to ride in a Coast Guard airplane over to the new field.

H.M.Jr: No. What else?

Gaston: We are sending out today the notices to the steamer, the Panamanian Steamship Northland, about which I spoke to you a week ago, to keep out of American ports for three months. They have been delayed because of

- 11 -

the necessity of getting an opinion of whether we could exclude them from the Panama Canal Zone, and we find that we can't. The ship is still in New York.

H.M.Jr: Professor Chamberlain?

Chamber'n: I have nothing more than what Mr. Cochran told you, except one point, Mr. Secretary, that the - in respect to the narcotics - Control of Narcotics Board in Geneva, they want to move them over here, and the Vice Chairman of the Board, a very old friend of mine, has taken the matter up with the Secretary of State and you may hear from them.

H.M.Jr: Recently? I heard from them.

Gaston: You heard from Breckinridge Long. I doubt that he represents a real opinion over there. I think he is wrong about it.

Chamber'n: Mr. Gaston and I would like to have a talk with you before you answer him.

Gaston: Well, you will get some formal communication, I imagine, later.

H.M.Jr: Then you two men can write the answer and I will sign it.

Chamber'n: I would rather see you.

H.M.Jr: All right. In other words, you don't want me to do anything until I talk to you?

Chamber'n: That is what I wanted.

H.M.Jr: All right, fair enough. Thank you all.

Berle says they ²³⁷
are going ahead
and make a loan
for \$20 million to
China. It has
been cleared
with F. L. R. &
Hull.

Sept 13, 1940,

G-2/2657-220

~~RESTRICTED~~M.I.D., W.D.
September 13, 1940.
12:00 M.

No. 193

SITUATION REPORT

This military situation report is issued by the Military Intelligence Division, General Staff. In view of the occasional inclusion of political information and of opinion it is classified as Restricted.

I. Western Theater of War.

1. No ground operations.
2. Air Force Operations.

During daylight on the 12th the Germans operated widely over England, using for the most part single planes. Considerable damage was admitted in southern England. During the night their planes, operating singly or in small formations, attacked many points in England, with more activity in the provincial areas and less over London than on previous nights.

British night operations were carried on as usual over German-held territory. Berlin was not bombed.

Today the Germans apparently are executing successful daylight raids over London.

II. Mediterranean and African Theaters of War.

1. Ground Operations.

There are lengthy news reports from Italy that an offensive against Egypt is about to begin. There is no official confirmation of this but there are some indications that an Italian concentration is building up on the Libyan—Egyptian frontier.

2. Air activity by both belligerents was on a larger scale along the Mediterranean Coast. Elsewhere attacks were sporadic.

III. Miscellaneous.

Russia has reaffirmed her stake in the Balkans by demanding participation in the control of navigation on the Danube.

~~RESTRICTED~~

Train

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE September 13, 1940

TO Secretary Morgenthau
FROM E. H. Foley, Jr.

The Department has had under consideration the question whether the Department should undertake an investigation to ascertain if there is dumping in the United States of Mexican petroleum, so as to justify the imposition of the special dumping duties provided for in the Antidumping Act, 1921.

The facts in the Department's possession at present are that the Distribuidora De Petroleos Mexicanos, a Mexican concern, imports crude petroleum into the United States consigned to itself and has it refined and sold on its account by an American concern, Eastern States Petroleum Co., Inc., under contract with the Mexican concern. The refined products are sold at the prevailing price in the area where the products are sold as shown in Platt's Oilgram. The Mexican concern retains title to the petroleum until it is sold.

It is my opinion that an investigation at this time would not be warranted. The Antidumping Act, 1921, could possibly apply in the instant situation only if the price at which the refined products are sold is less than the foreign market value in Mexico of the crude petroleum from which the refined products are derived. It is even doubtful that, under the peculiar wording of the Antidumping Act, 1921, that statute would be applicable under such circumstances. But assuming arguendo that the statute would be applicable in such circumstances, it is obvious that it is very unlikely that the refined products, which are being sold at the prevailing area price, are being sold at a price below the foreign market value of the crude petroleum from which the refined products are derived.

Upon the basis of the foregoing, it was decided on August 20, 1940, that an investigation would not be warranted.

It is understood that oil interests have complained to Secretary Hull that expropriated Mexican oil is being sold in the United States at dumping prices. I suggest that Secretary Hull refer the complainants to the Treasury Department, in order that the Department may ascertain if the complainants are in possession of facts unknown to the Treasury.

E.H.F.

JR

PLAIN

Hong Kong via N.R.

Dated September 13, 1940

Rec'd 12:05 p.m.

Secretary of State,

Washington.

348, September 13, 10 a.m.

Hong Kong customs duties increased an average of thirty-five per cent on raw tobacco various categories, about fifty per cent on cigars, sixty two per cent on cigarettes of Empire manufacture and 77 per cent on other cigarettes all effective immediately.

Hong Kong 1939 imports of raw tobacco from United States were over three million pounds valued at about six hundred thousand American dollars ditto cigarettes imports value about one hundred thousand dollars.

Further details being mailed.

SOUTHARD

CSB

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TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE September 13, 1940

TO Mr. White
FROM Mr. Kamarck

Subject: Developments in the Chinese Military Situation (Accompanying Map)

1. Since the last week in August the Chinese guerrillas in North China have been carrying out offensive actions to disrupt the planned Japanese fall offensive against the 8th Route Army. These attacks which are still continuing have been fairly successful in temporarily wrecking transportation facilities around Peking.
2. As shown on the map, battles have taken place in the heart of the Japanese-occupied areas in North China. The guerrillas in one place succeeded in reaching the coast and cutting the railroad running north from Tientsin to Manchuria.
3. The main significance of these attacks is as a demonstration of the continuous bleeding the Chinese are inflicting on the Japanese lines of communication which prevents the Japanese from consolidating or extending their hold upon China. It is in large part this predicament which has retarded Japan in carrying out its desire of gathering in the rich plums of the French Indo-China and the Indies.
4. The squirmings of Japan in attempting to wriggle out from its Brer Rabbit and the Tar Baby situation in China can be best summarized by recalling that the present Cabinet is the third within a year which has had as a main policy the ending of the China Incident. Also, it may be pointed out that Japanese conservative papers are now calling for a rapprochement with Russia -- this in a country whose avowed purpose in going into China was to combat Communism and to prepare for a war against the Soviet Union.

RDS

GRAY

(PARIS)
VICHY

Dated September 13, 1940

Rec'd 8:15 p.m.

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Secretary of State,
Washington.

557, September 13, noon.

FOR THE TREASURY FROM MATTHEWS.

Today's JOURNAL OFFICIEL publishes the text of a convention signed on August 25 between Finance Minister Bouthillier and Governor Fournier whereby the Bank of France agrees to make provisional advances to the Government in the amount of 50,000,000,000 francs to be used in defraying the maintenance costs of the German army of occupation (please see my telegram 431, August 26, 7 p.m.). The Bank is to be reimbursed with non-interest bearing three month Treasury bills and is authorized to charge 3 per mille per annum for the expenses entailed in this operation.

The Bank of France has after considerable hesitancy and uncertainty decided not to move to Lyons but to maintain in Chatel Guyon for the present such services as are still there.

MATTHEWS

EMB

AS

GRAY

Baghdad

Dated September 13, 1940

Rec'd 9:03 a.m., 14th

Secretary of State,
Washington.

83, September 13, 10 a.m.

Hairn Transport Company, a British organization, has an account with Henry Schroeder Banking Corporation, New York, approximately \$20,000 which has been frozen by Treasury Department. These funds required for purchase American equipment essential for maintenance trans-desert service with Iraq and Palestine. I recommend it be released. Please reply by telegraph. STCOR.

KNABENSHUE

WWC

TO THE
LEGATION OF THE
OFFICE OF THE
VIA

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RECEIVED
DEPARTMENT OF STATE

HSM

TELEGRAM SENT

GRAY

September 13, 1940

1 p. m.

AMERICAN CONSUL

STOCKHOLM

319.

Your 670. June 27, 2 p. m.

Treasury advises license has been issued.

HULL
(FL)

840.51 Frozen Credits/558

EA:GL:EHS

HR

PLAIN

SHANGHAI via N. R.

~~XXX~~

Dated September 13, 1940

Rec'd 11:15 a.m.

Secretary of State.

Washington.

913, 13th.

Weekly Financial.

Shanghai open market foreign exchange rates slightly declined last week end due uncertain situation in French Indochina, but steadied past two days due speculations uneasiness toward their overbought positions on press reports of possible early German invasion of England. Interbank spot selling this morning around five nine thirty seconds cents and three thirty three sixty fourths pence (cross parity of United States dollars three point six naught five lower than week ago due to aerial activities over England) having high during week of five thirteen thirty seconds and three thirty three sixty fourths and low of five seven thirty seconds and three seven sixteenths, September delivery same as spot, October delivery one thirty second cent and one sixty fourths penny lower. Chinese financial circles statement overbought position at present more than United States dollars
for

HSM

PLAIN

SHANGHAI via N. R.

Dated September 13, 1940

Rec'd. 12:22 p.m.

Secretary of State,

Washington.

913. Thirteenth (SECTION TWO)

as compared yuan one point forty a week ago, military scrip also higher due cover for larger imports from yen bloc countries yen one for Chinese yuan one point four two highest on record, wei wah cash discount rate two point seven percent low due to abundance cash, Shanghai customs gold unit for duty payment purposes equal to hua hsing yuan two point seven nine four or yuan four point eight six two as hua hsing yuan commands today premium of seventy four percent over yuan, Central Bank rate gold unit equivalent yuan two point seven naught seven or United States dollars naught point six six, Tientsin exchange rates steady five cents and three eleven thirty seconds pence representing cross parity United States dollars three point five nine, Tientsin Shanghai remittance charge five point five percent, Shanghai Tientsin remittance charge higher due less freight movement from Shanghai to Tientsin under new North China trade controls

Shanghai

- 2 -

Shanghai remitter pays yuan one naught six naught Tientsin payee to receive F.R.B. yuan one thousand, Tientsin F.R.B. yuan nine one for Chinese yuan one hundred. Other closing quotations yesterday: Shanghai general stocks slightly higher average two eight nine point seven one, Shanghai rubber shares lower average two eight four point three seven, (END SECTION TWO)

BUTRICK

CSB

Beijing

JR

PLAIN

Shanghai via N. R.

Undated

Rec'd 12:10 p.m.

September 13, 1940

Secretary of State,

Washington.

913. (SECTION THREE)

Chinese domestic bonds rose to new high early week since August 1937 with average for consolidation loans at five eight point one three due preference by banks and individuals to buy bonds which continue pay six per cent annual interest on par value or over ten per cent on market value because business recession at Shanghai resulting in low returns from other local investments, however bond prices declined yesterday to average of five six point seven two due profit taking by speculators, Hong Kong exchange rates fourteen thirty one thirty seconds pence and twenty two nine sixteenths cents representing gross parity of United States dollars three point six one seven five. Shanghai now preparing for mid autumn festival settlement on September 16, owing to abundance cash and huge profit reaped by business and industries first half of year debtors are expected to meet obligations due without difficulties despite the sag in economic activities now prevalent in Shanghai.

Owing

- 2 -

Owing to shortage of currency in Chungking occasioned by evacuation of banks and business firms from city to country districts, Ministry Finance on September 9 instructed remaining banks in city to permit depositors to withdraw cash in unlimited amounts, maximum amount previously permitted to be withdrawn per account per day being yuan one thousand only. Japanese press reports North China consolidated tax collections during last year nearly six times revenues collected in 1936, last year total collections amounted to F R B yuan five nine point four million of which F R B yuan two four million from Tientsin twenty million from Tsingtao and six million from Tangshan, as compared yuan ten point eight million collected in 1936. Increased collections due for the most part to relatively low currency value and much higher prices. Press states note issue outstanding in Manchuria as reported by Manchurian central bank amounted to Manchurian yuan six eight two point six million at end August this year as compared with six six three point nine million at end January this year, note issues expected to increase to nine hundred million by end this year due to requirements for financing crops. Inform Commerce.

(END MESSAGE)

BUTRICK

CSB

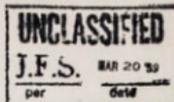
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TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION



262

DATE September 13, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

~~CONFIDENTIAL~~

Today's transactions in registered sterling by the six reporting banks were as follows:

Sold to commercial concerns	£101,000
Purchased from commercial concerns	£ 22,000

The sterling sold is being used to cover the importation of a diversified list of commodities.

The Federal Reserve Bank sold £16,500 to a non-reporting bank.

Open market sterling again remained at 4.03-1/2 throughout the day. Transactions of the reporting banks in open market sterling were as follows:

Sold to commercial concerns	£55,000
Purchased from commercial concerns	£11,000

Of the £55,000 sold, £54,000 was purchased by the Red Cross.

The Canadian dollar is still under pressure, and today the discount for that currency widened to 16% at the close, as against 14-1/4% yesterday. The current weakness is apparently due to offerings, by American insurance companies and other large institutions, of Canadian dollars received from the September 1 redemption of a Dominion of Canada bond issue. The offerings have not been very large, but owing to the extreme thinness of the market, they have had an appreciable effect upon the rate.

The Cuban peso, whose downward movement was checked yesterday, experienced another improvement today. It moved from a discount of 10-9/16% to 10-3/16%.

The other currencies closed as follows:

Swiss franc	.2278-1/2
Swedish krona	.2386
Lira	.0505
Reichsmark	.4000
Mexican peso	.1996 bid, .2016 offered

We purchased \$1,974,000 in gold from the earmarked account of the Bank of Mexico.

- 2 -

The Federal Reserve Bank of New York reported to us the following shipments of gold from Portugal:

\$3,020,000 shipped by the Bank of Portugal to the Federal Reserve Bank of New York, to be earmarked for account of the Bank of Portugal.

61,000 consigned to the Manufacturers Trust Company, New York for account of Les Fils Dreyfus, Basle, Switzerland, for sale to the U.S. Assay Office at New York.

\$3,081,000 Total

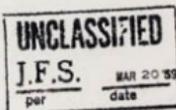
The Bombay gold price was equivalent to \$34.13, off 12¢. Silver in Bombay was again unchanged at the equivalent of 44.87¢.

In London, spot silver remained at 23-7/16d, while the forward price moved off 1/8d to 23-1/4d. The dollar equivalents were 42.56¢ and 42.22¢ respectively.

Handy and Harman's settlement price for foreign silver was unchanged at 34-3/4¢. The Treasury's purchase price for foreign silver was also unchanged at 35¢.

We made four purchases of silver totaling 300,000 ounces under the Silver Purchase Act. Of this amount, 200,000 ounces represented sales from inventory by one of the refining companies, and the remaining 100,000 ounces consisted of new production from foreign countries, for forward delivery.

B. M. S.



~~CONFIDENTIAL~~

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G-2/2657-235

M.I.D., W.D.
Tentative Lessons
Bulletin No. 45
September 13, 1940

TENTATIVE LESSONS FROM THE RECENT
ACTIVE CAMPAIGN IN EUROPE

NOTICE

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The information contained in this series of bulletins will be restricted to items from official sources which are reasonably confirmed. The lessons necessarily are tentative and in no sense mature studies.

TRAINING AT BRITISH MACHINE GUN
CENTERS

SOURCES

The information contained in this bulletin came from official American sources late in June and early in July, 1940. It is based upon a visit to a machine gun training center and conferences at the British War Office.

CONTENTS

- I. GENERAL.
- II. TRAINING PROGRAMS.
 - A. Machine Gun Training Center Syllabus
 - B. Specialized Training
- III. OBSERVATIONS ON TRAINING.

CONFIDENTIAL

CONFIDENTIAL1. GENERAL.

British machine gun training centers train not only machine gunners, but also the motor drivers, range takers and signallers who serve with machine gun organizations.

The training cadres consist of Regular Army officers held back from their organizations or recalled from recent retirement, and specially qualified Territorial and Reserve officers. Non-commissioned officers are either active regulars or ex-regulars recently retired to the Reserve.

Training schedules are based on a working week of 14 periods, each period being three-quarters of an hour.

At the end of the first eight weeks' training, identical for all recruits, men selected as drivers, range takers, and signallers are sent to separate training units at the center. The total time of training is 16 weeks for all men except signallers, who complete 20 weeks.

* In the British Army, range takers determine ranges with the use of the 80-cm. Barr & Stroud Infantry range finder. C-2.

II. TRAINING PROGRAMS.A. Machine Gun Training Center Syllabus.

Subject	All Machine Gun Personnel			Drivers of Internal Combustion Engine Vehicles		Range Takers		Signallers	
	Periods During 1st 8 Weeks	Periods During 2nd 8 Weeks	Total Machine Gunners	Periods During 2nd 8 Weeks	Total for Drivers	Periods During 2nd 8 Weeks	Total for Range Takers	Periods During Remaining 12 Weeks	Total for Signallers
Drill	10	20	60	20	60	20	60	20	60
Physical Training	40	35	75	35	75	35	75	35	75
Rifle	50	---	50	---	50	---	50	---	50

CONFIDENTIAL

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Machine Gun Training Center Syllabus (Continued)

Subject	All Trainees	Machine Gun Personnel	Drivers of Internal Combustion Engine Vehicles	Range Takers	Signallers				
	Periods During 1st 8 Weeks	Periods During 2nd 8 Weeks	Total for Machine Gunners	Periods During 2nd 8 Weeks	Total for Drivers	Periods During 2nd 8 Weeks	Total for Range Takers	Periods During Remaining 12 Weeks	Total for Signallers
Technical Machine Gun Training, Including Use of Ground, Judging Distance, Visual Training, etc.	135	72	207	--	135	72	207	20	155
Antitank Rifle	15	--	15	--	15	--	15	--	15
Antiaircraft	--	--	--	--	--	--	--	--	--
Light Machine Gun	--	10	10	--	--	--	--	--	5
Grenades	--	5	5	--	--	5	5	8	20
Gas	12	8	20	8	20	8	20	--	--
Tactics (Some Tactics Also Taught in Periods for Technical Machine Gun Training)	20	40	60	40	60	50	70	--	20
Marching	10	--	10	--	10	--	10	--	10
Int. Economy	20	--	20	--	20	--	20	--	20
Driving and Maintenance	--	--	--	210	210	--	--	--	--
Driving (Motorcyclists Trained in These Periods)	--	150	150	--	--	--	--	400	400
Signalling	--	--	--	--	--	120	120	--	--
Range Taking	--	--	--	--	--	30	30	30	30
Map Reading	--	10	10	30	30	30	30	10	20
Miscellaneous	10	2	12	9	19	12	22	--	--
Totals	352	352	704	352	704	352	704	528	880

CONFIDENTIAL

CONFIDENTIALB. Specialized Training.1. Drivers of Internal Combustion Engine Vehicles.

It will be noted that a lump sum of 210 periods is allotted in the foregoing syllabus to drivers for driving and maintenance. The breakdown is as follows:

Practical Driving Instruction - - - - -	50 periods
Practical Maintenance - - - - -	55 periods
Lectures and Theoretical Instruction - - - - -	105 periods
Total - - - - -	210 periods

2. Range Takers.

The sum of 120 periods allotted in the syllabus for instruction in range taking is broken down into five stages. Each stage covers a given number of days and includes hours allotted for both lessons and field exercises.

The last half hour of each day's work is devoted to working out the day's results, revision of all previous work, and short talks on important subjects.

The stages are as follows:

<u>a. First Stage, (About Three Days.)</u>	<u>Hours.</u>
Introductory Lecture	1
General description - packing and unpacking (Lesson 1)	2
Care and cleaning (Lesson 2)	2
Setting up instrument and focusing (Lesson 3)	1
Setting coincidence adjusting scale (Lesson 6)	$\frac{1}{2}$
Making coincidence (Lesson 4)	2
Halving adjustment (Lesson 5)	1
Taking ranges	7
<u>b. Second Stage, (About Six Days.)</u>	
Adjustment according to day's results (Lesson 7)	1
Making range cards (Lesson 11)	6
Taking ranges in rain and shimmer (Lesson 13)	1
Taking ranges	22

CONFIDENTIAL

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<u>c. Third Stage, (About Three Days.)</u>		<u>Hours</u>
Coincidence on difficult objects (Lesson 12)		1
Making range cards (Lesson 11)		6
Calculation of consistency (Lesson 10)		2
Taking ranges		6
<u>d. Fourth Stage, (About Six Days.)</u>		
Coincidence adjustment - Known range (Lesson 7)		1
Coincidence adjustment - Infinity (Lesson 8)		1
Practising adjustment of unknown instruments (Lesson 7)		4
Annual test practice		6
Practise adjustment on known ranges (Lesson 7)		2
Practise adjustment on moon and star (Lesson 8)		2
Practise adjustment on lath (Lesson 9)		4
Astigmatizer test		1
Test of lath		1
Taking ranges		8
<u>e. Fifth Stage, (About Six Days.)</u>		
Use of cover and positions (Lesson 15)		2
Taking ranges to moving objects (Lesson 14)		3
Field duties (Lesson 16)		10
Taking ranges		15
Test of elementary training (during hours of taking ranges in this period)		
	Total	120

3. Signallers.

The breakdown of the lump sum allotment of 400 periods in the syllabus for specialized training of signallers is identical with that shown in Paragraph III.C., Tentative Lessons Bulletin No. 14.

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CONFIDENTIALIII. OBSERVATIONS ON TRAINING.A. Machine Gunners.

Very thorough individual training in the mechanics of the gun, cleaning, disassembling and assembling, and clearing of stoppages was given, but not enough firing. Firing practice is restricted to a 30-yard range. It is expected that when men join machine gun organizations after leaving centers, they will have had full range practice and combat firing problems; under present conditions it is extremely doubtful whether they do. The impression was created that tactical training was based too much on the use of machine guns in defensive, static, or trench type warfare, and not enough on offensive employment in a war of movement.

B. Drivers.

Very few military vehicles were available and nearly all training was on commercial vehicles, purchased second-hand. This may be satisfactory so far as driving is concerned, but it is not good for the study of maintenance, engines, chassis, lubricating, fuel and ignition systems. There are considerable differences in these on commercial and military vehicles.

C. Range Takers.

Very thorough instruction was given, and trainees seemed proficient.

D. Signallers.

Trainees seemed to be especially interested in signalling. Proficiency in Morse code and ability to send and receive it by any means available are stressed. After the first class instruction, all practice is done between pairs of men; these pairs are changed each day. Use of the Morse code by lamp and buzzerphone is given more importance than by other means. No radio training is given. Motorcycle despatch riders' training is considered highly important.

Note: A summary of information on British training published previously in this series is to be found at the end of Tentative Lessons Bulletin No. 1/1.

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G-2/2657-235

M.I.D., W.D.
 Tentative Lessons
 Bulletin No. 46
 September 13, 1940

TENTATIVE LESSONS FROM THE RECENT
 ACTIVE CAMPAIGN IN EUROPE

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INFANTRY IN THE BLITZKRIEGSOURCE

The following article was published on August 2, 1940, in Militarwochenblatt, Berlin, a highly reputable military magazine. The essential idea contained in the article - namely, the supremacy of Infantry in battle - has been confirmed by all authoritative information at the disposal of the Military Intelligence Division.

DIE INFANTERIE IM BLITZKRIEG

by Lieutenant-Colonel Köhn

"The catchwords blitzkrieg and new tactics, which our enemies have adopted and which we, too, have quickly accepted, seem to have given rise to a wholly false conception in the minds of many people. It is time to analyze these terms in order that the valuable experience gained in previous wars may not be lost, that we may be guided by new experience gained in the present war, and that the victories won by an ingenious command and well trained troops may not be minimized through the belief in a miracle.

"When all the national political forces available are concentrated in the hands of an ingenious command capable of changing

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its decisions and glad to assume responsibility, and when these forces are fully utilized, even a strong enemy army cannot prevent it from winning victories. This is not a new phenomenon in the history of the world, and there are many examples of it. Nevertheless, examples of military and political successes like those of the present war have been rare. They are based upon no secret, but rather upon the union of a strong nation under a single will in combatting democratic, disunited and decadent nations.

"Our enemies have applied such catchwords as blitzkrieg and new tactics to these victories and have thereby tried to imply, in order to conceal their own military failures, that we were using some secret force. The soldier, however, must not allow his clear vision of what is necessary in a war and of the causes of success or failure to be dimmed. He does not fight with catchwords; he sees to it that troops are well trained, that all arms cooperate, and that all are fully utilized in combat. A test should be made on a larger scale in order to see whether we are employing secrets and have thereby wrought incomprehensible miracles, or whether we have merely been on the right track and have won our successes like honorable soldiers.

"In studying this question we can take as a basis the following principles from the tactics of the combined arms. These principles are probably defined as the objects of training in the military regulations of all countries:

1. "The object of all arms is to allow the Infantry to reach the enemy while still in possession of sufficient firing and attacking power to bring about a final decision.

"Great importance is attached to the Infantry in our Army with full knowledge of the principle on which the good old German military ideal is based; namely, that the courage and efficiency of the individual soldier is the decisive factor, regardless of the technique employed. The Infantry constitutes the main arm, and is supported by all the other arms, which try to see to it, as far as possible, that the Infantry is able to engage in close combat against the enemy with its strength impaired as little as possible. If our aviators and tanks have succeeded during the present war in utilizing this tactical principle to such good advantage in many places that the Infantry has often encountered an already crushed foe, this merely proves that our troops of all arms have been properly trained and not that the importance of the Infantry's missions has diminished.

"The bulk of the Infantry must rely upon the cooperation of the Artillery; the various engagements in Poland and the decisive

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attacks upon the Weygand Line * and the Maginot Line have demonstrated this fact. They have also proved that the enemy's last resistance must be broken, as hitherto, by the Infantry, and that in the last hundred meters of a charge the Infantry must accomplish this result unaided and solely by force of its own weapons. The Infantry, relying upon its own power, was conscious of its strength just as it was during the World War, and it won a victory by employing new strategic methods. In conformity with its mission, it bore the main burden of the struggle and proved to be Queen of the Battlefield.

2. "A beaten enemy is relentlessly pursued, and each man gives every ounce of strength that he has in accomplishing this purpose.

"The attacking troops keep at the beaten enemy's heels; no weariness, however extreme, can cause them to give up the pursuit. During the pursuit, the tanks, aviators, and fast troops develop the tactical success into a strategic one. Nevertheless, the Infantry also continues to take part in the pursuit, and it must accomplish great feats, as the present war has shown once more. It presses forward relentlessly and is not afraid to lose temporarily the previously close support of its neighbors in order to prevent the enemy from making a new stand. This necessitates bold and decisive action on the part of the subordinate commanders, who can usually count only upon their own respective units and must wage the combat without relying on the assistance of their neighbors. It is perhaps in just this kind of combat that we have shown ourselves strongest during the present war.

"A consideration of the principles just described will show very plainly that troops had been adequately prepared and trained for combat. In accordance with the missions assigned them, all arms have supported the Infantry so fully that in many cases the ideal of enabling the Infantry to reach the enemy with its strength still unimpaired was almost completely attained. Only this is it possible to explain the almost incredibly small losses as compared with those occurring during the World War. Nevertheless, it should be stated that the endurance and tenacity shown by the Infantry during the World War, and again in the present war, was the decisive factor when it was opposed by an equally tenacious enemy. Therefore, when initial successes were swiftly developed by the command into strategic successes, there occurred through employment of all arms a pursuit of the enemy unparalleled in the history of the world, and the commanders of even the smallest units were glad to assume responsibility. It was this fact that was new to our foes. They call it blitzkrieg and talk of our secrets. To us this quick success was due to our train-

* The Weygand Line is the line of the Somme and the Aisne. G-2.

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ing, but it cannot cause us to overlook the basic importance of general principles in combating a tenacious and obstinate foe. The great successes obtained by all arms group themselves about the victory of the Infantry, which, as the principal arm, overcame the enemy man to man, and thus triumphed over his technique."

CONFIDENTIAL

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Paraphrase of Code Cablegram Received at the
War Department 4:12 p.m., Sept. 13, 1940

London, Filed 14:25, September 13, 1940

During the day of September 12 the Royal Air Force sent out 14 reconnaissance planes. During the night of the 12th-13th a total of 40 bombers attacked Brussels and Eindhoven without plane casualties.

During daylight of the 12th approximately 50 German aircraft flew over England. There was a marked increase in the number of reconnaissance planes, especially over the south and southeast areas. Other-wise activities were on a reduced scale. During this period the enemy had one plane destroyed and three damaged, while the British had no losses.

Enemy raids last night were on a comparatively reduced scale, consisting mostly of single airplanes over Liverpool, South Wales, and the West Midlands. Other planes operated over Kent and Sussex, while four flew from Dieppe to London. German plane losses were three confirmed and four damaged. There were no British losses.

There was no damage to military installations. In Tunbridge Wells a hospital, a warehouse, and the local headquarters of an American ambulance unit were all wrecked. Railroad lines were blocked at Reading, Blackpool and Banbury. In the London area three railroad lines were seriously damaged, an important telephone exchange was wrecked and operators killed, a large paper mill burned, several principal roads were blocked and water mains broken. Civilian casualties amounted to 166 killed and 689 injured.

One British merchant ship of 2,500 tons was sunk.

~~CONFIDENTIAL~~

DECLASSIFIED

800 520.9 (9/27/58)

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~~CONFIDENTIAL~~

British Military Intelligence consider that enemy plans for invasion are now complete. The Secretary of State for War and the Intelligence Section of the Home Forces believe that the next week will be the critical period. They consider it probable that the German invasion will be along the axis of Calais--Dover--London where the invading forces will be exposed to the hazard of a sea voyage for the least possible time.

The public morale is sound. Industrial plants are going at full blast. Due to a modification in the system of air raid warnings workers do not take cover until bombers are in sight. A bomb which fell in Oxford Street has just passed over this office (4 p.m.). The bomber evidently glided in. There are several delayed action bombs in the grounds of Buckingham Palace. The King says that he will stay until he is bombed out. Two 100-kg. bombs missed the undersigned last night by about 150 feet.

A considerable number of the heaviest types of anti-aircraft artillery has been added to the defenses of London. Some of it is on mobile and railway mounts and some on naval vessels in the Thames. There is evidence that firing is being carried out with the newest types of direction finder equipment and with a closer coordination of all groups of anti-aircraft artillery. Definite sky areas have been assigned to the various units for coverage and fire has been much more effective during the last few nights. It is reported that about 8,000 anti-aircraft shells were fired during the night of September 12-13.

Due to the interruption of road and railroad traffic, boats

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

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are now being used between Westminster and Woolwich on a 20-minute service.

The Intelligence Section of the Home Forces stated today that there was no doubt but that the enemy was attempting to cut the lines of communication from north to south as a preliminary to invasion.

LEE

Copies to: General Watson
Secretary of War
State Department
Secretary of Treasury
Assistant Secretary of War
Chief of Staff
CHI
WPD

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DDO DIR. 5200.9 (9/27/58)

~~CONFIDENTIAL~~

Paraphrase of Code Cablegram
 Received at the War Department
 at 13:48, September 13, 1940

~~CONFIDENTIAL~~

Rome, filed 19:40, September 13, 1940.

There is an unconfirmed report that in conjunction with a German attack on Great Britain an Italian attack impends against the British force in Egypt.

With reference to my cable immediately preceding this one, a reliable source reports that the Italians are hastily installing new motors in their standard pursuit planes. These motors have an additional 100 h.p. and maximum speed at critical altitude is increased to 360 m.p.h. On German request two squadrons from Rome plus additional units from the Turin area are leaving for the north of France on 16th September. A separate source which is considered reliable reports that in order to relieve the shortage of German pilots, a large number of Italian pilots are being sent to Germany.

PAINÉ

Distribution:

General Watson
 Secretary of War
 State Department
 Secretary of Treasury
 Asst. Secretary of War
 Chief of Staff
 War Plans Division
 ONI

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 DOD DIR. 5200.9 (9/27/58)

~~CONFIDENTIAL~~

September 13, 1940

10:30 a.m.

Present:

The Swedish Minister
Mr. Berle
Mr. Young

HM, Jr: (To Mr. Berle) Please check my memory. The French Financial Attache just left here and Hull just called me up before he got here on the question of money for them in South America, and I told him -- I may be wrong -- that the Department did not want to give them any money for South America.

Mr. Berle: I think it is otherwise. I think we would risk it for one month, watching ...

HM, Jr: Then I am mixed up.

Mr. Berle: But the Cabinet, as we understood it, had talked it over and had decided that they would give it to them for the North American establishments, but nothing for outside.

HM, Jr: What the President said -- I took it up over at Cabinet last week and he said he wanted to know more about South America; did not have enough information, but as far as Europe was concerned, no, but he wanted more information

Mr. Berle: We risk it. We realize you are gambling. That is, if you can't get in that time accurate data enough on what each fellow is doing.

HM, Jr: If you don't mind, when you go back, telling Mr. Hull I misquoted you.

Mr. Berle: I will do that.

HM, Jr: Because the thing comes so fast, I can't

-2-

keep it straight, but I know the President put a question mark for it on South America. Europe he said no. I told this fellow, "Why don't you use some of your money down at Martinique to pay your South American

Mr. Berle: I think he is not sure he can get it. We would risk it.

HM, Jr.: If you don't mind, tell Hull, and the second we get word on that we will release it.

Sweden?

Mr. Berle: The state of affairs, as far as we are concerned, licenses have been declined

HM, Jr.: Declined or cancelled?

Mr. Berle: Cancelled. So the Swedes have the stuff and can't use it, but that does not mean we get it. We have told them to take it up with the manufacturer. They have said two things: first, they would release it only on a straight statement we needed it for our National defense; second, that they would have to be paid for it and that the bill is high. They want the price of the planes plus the price of the purchasing commission plus liquidated damages for framing the Swedish Army around this type of plane instead of some other type of plane -- amounts to an offer to buy the Kingdom of Sweden. Third, the Chinaman in town has opened some negotiations to see if he can get those planes and I am not surprised if the Swedes try to use that as a delaying operation. On the basis of that we took the stiff position that we wanted to find out what they really wanted and would try to beat it down to reasonable terms. But I also used your name in vain and our Department's name in vain to get the Senate to clear out the Requisition Bill, which I understand they have done. The House has passed it, the Senate has passed it with slight amendment. I presume it will go through conference and will be out. And to relieve the pressure "we talk about it," but in another few days we can discuss it later. You will probably find that it will relieve him greatly.

HM, Jr.: You mean if we just take them?

Mr. Berle: Yes. Because he does not have to explain to his Government, which has to explain to Berlin this or that, somebody did this to him.

HM, Jr.: In other words, be very polite and listen and say nothing.

Mr. Berle: I think you can go slightly further and say they can't export the planes. We shall be happy to have them with reasonable financial adjustment and then let him talk.

Mr. Young: He will also bring up the question of these other war items. He had a talk with Patterson on that and he wore Patterson down and he called me up on the telephone and wept on my shoulder to let him have the other munitions inasmuch as we are keeping the planes and Patterson can see no reason why they should not go out of the country if it kept him quiet, which I suppose is relatively reasonable, except it goes against the whole policy on which this thing was based.

I made out a summary list of the other stuff they have, outside of planes, because I think that's going to be the second

Mr. Berle: The number of planes is considerable.

HM, Jr.: What is it? I asked you (Mr. Young) to get it.

Mr. Young: The latest number of Republics out is around 80.

Mr. Berle: They were some other

Mr. Young: The first Vultee was taken on its test flight yesterday. You have higher figures?

Mr. Berle: I did. 67 I think was our figure and we had, I thought, some 40 - 50 Vultee's just ready for test flight, but assuming that comes out right I gather they will be going along.

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Mr. Young: They will be coming along too in the next three weeks.

HM, Jr: It's the Republics we need.

Shall we have him in?

Mr. Berle: By all means. After that I want to talk China to you.

HM, Jr: I would love to talk China.

(At this point, the Swedish Minister came in.)

Minister: Well, Mr. Secretary, I venture to trouble you about a situation for our licenses for certain war materiel. I understand you are the head of the Committee.

HM, Jr: No.

Minister: Beg pardon.

HM, Jr: No. No, I am not the head.

Minister: But it's under the Treasury Department anyway.

HM, Jr: We have one out of three members on the Committee. There are three members on the Committee. Mr. Young is one. The Army has a member and the Navy has a member and Colonel Maxwell also sits with them, so we are only one out of three.

Minister: I see. But Mr. Young is the presiding member of the Committee. I thought maybe it was well I came to see you.

Mr. Young: You mean I did all the talking.

Minister: Yes. May I briefly review the whole situation.

HM, Jr: Please.

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Minister: I have explained it to Mr. Sumner Welles. You may have heard from him, Mr. Berle.

Mr. Berle: Yes.

Minister: Well, if you go far back to our whole defense program, of course like England and all the countries who relied on the League of Nations for collective security, we intended to defend for a certain extent and not quite as much as our smaller neighbors except Finland. Then when the Hitler threat came up we began to arm up, but of course, like the others, too late and then when the Finnish War came we helped Finland with a much more than half of our war material. Not half of everything, but altogether; some much more than half, for instance, we stripped ourselves completely of anti-tank guns, machine guns, ammunition. When the threat from Germany was most acute we had, as a matter of fact, machine gun munitions for a few minutes. That's all. Because we had sent everything to Finland. Planes also. We sent them more than 20% of the few planes we had. 250 guns, and so on. We were glad to do it, of course, but then we had to try to fill the gaps. That's why we sent out a delegation here in January and February. They were here for two months and they got every possible help from the President and Departments and encouragement to buy and we put in quite a large order of planes. To begin with, we put in an order for the Republic, which built up the capacity to meet our requirements, and after that we also order some of the Vultees, but that was for later delivery. Of the Republics, we have received 62 planes out of a total number, altogether, of 360, which is not so much. There remains now 22, if I remember right, ready to be shipped, for which we had the license, which has been revoked. 88 more were being completed for later delivery.

I had conversations with the President some time ago and I asked to see the Presidently mostly because he personally had encouraged us so much to put in all these orders when the delegation was here. He was very sorry about our situation, did not think there was much

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chance about the planes and he did not give any promise at all, but, as I told you, Mr. Young, before, he said that he would do his best to try to get the license for the 22 planes anyway. That has not been definitely declined, so for the planes we don't insist. We understand the position that both you and England are in such need of planes, so we have accepted that decision, but for the other war materiel I think it is really harder. I might say that there are some plane parts, a new application sent in

Mr. Young: Spare parts for the ships shipped prior to July.

Minister: which I hope you can reconsider. But for the rest of the war materiel there are some items which are not used in the United States, only in Europe: 9 m.m. pistols and ammunition. The only license that really was not revoked was for some million rounds of ammunition for those pistols. For the pistols themselves we were refused. That seems illogical to me when you say that we can get the ammunition because that caliber is not used. It's the same caliber as the pistols.

I have explained all this in several memoranda and letters to Mr. Sumner Welles, which I think have been sent over to Mr. Young.

Mr. Young: Yes.

Minister: And I come to you because I have seen some of the Army people too, because I have been told -- I don't know where, but in some places, they impress me as believing that we are under German domination, which is not true. We have, as I say, resisted every demand of the Germans during the Norwegian war. When they wanted to send troops through Sweden we refused at tremendous risk and for several days it looked like that we were going to be invaded. As a matter of fact, they sent one day, at the same time as the foreign press campaign, they sent scores of planes all over the country, not only the Norwegian border but the eastern. We have

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altogether shot down 23 German planes, 5 in one day, which I think is a pretty good account for a neutral. So we are absolutely decided to resist.

So if that opinion should have any bearing on the decision to refuse us the license, I am trying my best to remove that opinion which is not justified. I don't know if it exists in the persons who decide, but I can't see any other explanation why we could not get at least part of this war materiel. It seems exceedingly hard when we are so badly in need for it, I think. If we have weapons to defend ourselves, we can resist German pressure more. That is evident.

As I say, I would be glad if the applications for license for the rest of the war materiel would be reconsidered. Mr. Young told me at the last meeting that he would not give me any hope for any of these, which I think is very unreasonable if you really look into the matter. I won't bother you, Mr. Secretary, but I have copies of all of it here, but you have seen it already probably.

Then may I mention another thing. There is one license for the manufacture of -- I don't seem to have it with me -- I sent in a new application for the manufacture of the twin wasp airplane engine in Sweden the other day.

Mr. Young: That was for the Hawk 75 A, as I remember -- Curtiss.

Minister: How stupid I don't have a copy with me!

Mr. Young: I have your request and I forwarded it

Minister: As a reason for the refusal of all this is your own needs and a license to manufacture in Sweden does not deprive you of one single machine, so it could not be for that reason.

H.L. Jr.: Licenses to manufacture in Sweden?

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Minister: In Sweden.

HM, Jr: What product?

Minister: Planes.

Mr. Young: Manufacturing license for the Curtiss
75-A.

HM, Jr: That's the one the French had.

Mr. Young: Yes. Several people have that.
Argentina has that.

HM, Jr: Mr. Minister, I am very glad to have seen
you and I naturally have listened very carefully to what
you have had to say.

Minister: Here it is. I beg your pardon. "Negotiations have been conducted by the Swedish Air Force Commission and the United Aircraft Corporation of East Hartford, Conn., looking towards a contract for the sale of manufacturing rights of the Twin-Wasp airplane engine in Sweden. By a letter dated July 19, 1940, the United Aircraft Corporation informed the Swedish Air Force Commission that they had been informed that the U. S. Government was opposed to the company negotiating or closing any contracts for the foreign sale of manufacturing rights of aircraft engines which they manufactured. The negotiations for the sale of the manufacturing rights of the Twin-Wasp engine in Sweden have, therefore, been broken off."

That has been declined -- that license. On the 26th of August in this note to the State Department I ask for reconsideration of that.

Mr. Young: I remember taking up that request at one time.

HM, Jr: We will talk it over here and I am glad to get the story from you first-hand.

Minister: Thank you. I don't know if all the renewed applications have come in.

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Mr. Young: Applications for export licenses?

Minister: Renewed for consideration. But, anyway, you have our memoranda.

Mr. Young: Yes.

Minister: Well, I hope you can do something because it is very discouraging when we have made such an effort and had people -- for instance, pistols. To get a special type that fit our needs at a lot of expense to increase production, the Winchester Company to increase production of pistols, and also for the ammunition, and then we are suddenly cut off and can't get anything. We are badly in need of it.

HM, Jr: All right, Sir.

Minister: I will take all these papers back.

Mr. Young: Yes. I have copies of all of those, I am sure.

Minister: Thank you.

HM, Jr: Thank you very much for coming in.

Minister: Thank you for receiving me.

oOo-oOo

The Swedish Minister presents his compliments to the Honourable the Secretary of State and, with reference to previous verbal representations in the State Department, has the honour to request the kind assistance of the Secretary in the following matter:

Negotiations have been conducted by the Swedish Air Force Commission and the United Aircraft Corporation of East Hartford, Conn., looking towards a contract for the sale of manufacturing rights of the Twin-Wasp airplane engine in Sweden. By a letter dated July 19, 1940, the United Aircraft Corporation informed the Swedish Air Force Commission that they had been informed that the U. S. Government was opposed to the company's negotiating or closing any contracts for the foreign sale of manufacturing rights of aircraft engines which they manufactured. The negotiations for the sale of the manufacturing rights of the Twin-Wasp engine in Sweden have, therefore, been broken off.

The type of engine in question is already fairly old and of a power that probably will not suffice for use in modern military airplanes of the United States. Furthermore, if the manufacturing rights should be granted, it will be a long time before the first engines could be completed in Sweden. The granting of the manufacturing rights does, consequently, not involve any release of military secrets.

The Swedish Government has placed large contracts with Swedish airplane manufacturers, all of which contracts are based on the use of engines to be purchased in the U.S.A. Contracts for these engines have been placed, but the necessary export licenses have recently been revoked.

The granting of manufacturing rights for the Twin-Wasp engine would be a great help in overcoming the difficulties which the Swedish Government are now facing through the revocation of all the export licenses for airplanes and engines.

Acting upon instructions from his Government, the Swedish Minister begs leave to ask the Secretary of State to be good enough to approach the proper branch of the American Government in order that the necessary authorization may be given to the United Aircraft Corporation to enable them to make a contract with the Swedish Air Force Commission for the sale of the manufacturing rights in question.

Washington, D. C., August 26, 1940.

EXCERPT:

Negotiations have been conducted by the Swedish Air Force Commission and the United Aircraft Corporation of East Hartford, Conn., looking towards a contract for the sale of manufacturing rights of the Twin-Wasp airplane engine in Sweden. By a letter dated July 19, 1940, the United Aircraft Corporation informed the Swedish Air Force Commission that they had been informed that the U. S. Government was opposed to the company negotiating or closing any contracts for the foreign sale of manufacturing rights of aircraft engines which they manufactured. The negotiations for the sale of the manufacturing rights of the Twin-Wasp engine in Sweden have, therefore, been broken off.

LEGATION OF SWEDEN
WASHINGTON, D. C.

September 13, 1940.

2 encls.

My dear Mr. Secretary:

/1-2.

As I understand that you have not seen my two letters to Mr. Sumner Welles with the attached memoranda, I venture to enclose them here in the hope that you will find time to read them, as they contain a more complete picture of the situation about our licenses than the one I gave you orally this morning.

Very sincerely yours,

W. Gustafson

Hon. Henry Morgenthau,
Secretary of the Treasury,
Washington, D. C.

August 7, 1940.

My dear Mr. Welles:

With reference to our conversation on Friday last, and to the Memorandum I then handed to you, I beg to enclose an Aide-memoire containing details of Swedish purchases of war materials in the U.S.A., wholly or partly outstanding, which I hope may be useful as a basis for our discussion on Friday.

You will find that most of the contracts have been running for a considerable time. They have, without exception, been entered into with the full knowledge of the U.S. Government, and in many cases with the active cooperation and aid of the U.S. Army and Navy authorities. Relying on declarations of policy by the U.S. Government in regard to foreign purchases of war materials and the community of interest which seemed to exist between our two countries, the Swedish Government largely based its re-armament program, particularly in respect of air equipment, on orders which it placed in the United States. I have no hesitation in saying that a sudden reversal of policy on the part of the U.S. Government would have a very serious effect on our defense plans.

Whatever further study may prove necessary in regard to materials for which licenses have not been granted, I trust in any case that no difficulties will be placed in the way of delivery of orders for which licenses are in force, for instance, the undelivered part of the contract for airplanes under license number 4300 and the contracts for airplane motors. None of these licenses have, as far as I know, been revoked, and to judge by information received from the State Department regarding shipment of other war materials for which licenses have been granted, no further formalities would seem to be required before shipment is effected.

For reasons

For reasons which I have just mentioned, I have not included in the Aide-memoire any information concerning two contracts for small arms ammunition and a consignment of detonator fuses for depth charges, acquired from the U.S. War Department as obsolete material. It is true that the Collector of Customs at New York refused clearance for a vessel on which some of the small arms ammunition and the detonator fuses were loaded, and the consignments in question were discharged before the vessel was allowed to sail.

I presume, however, that the Collector acted without full knowledge of the circumstances and, in view of the assurances since received from the State Department, the consignments will be shipped in another steamer, and I trust that the Customs authorities will, by that time, have received necessary instructions to allow the shipments to proceed.

Yours very truly,

W. BOSTRÖM
Minister of Sweden

enclosure.

any case that the identification will be placed in the list of the
lives of orders for which licenses are in force, for instance,
the authorized part of the contract for airplanes under license
number 4000 and the contracts for airplane engines. None of these
licenses have, as far as I know, been renewed, and it would be
information received from the State Department, regarding the
date of their expiration. The information regarding the expiration
of these licenses will be placed in the list of the
in attached.

AVSKRIFT

Aide-memoire

A contract providing for delivery of 24 light bombing planes was signed by the Swedish Air Force Commission with Republic Aviation Corporation on October 11, 1939. A license for the export of the planes ordered under this contract was granted on December 29, 1939, (license no. 4300), and has not to the knowledge of the Swedish Air Force Commission been revoked. Two of these planes have been shipped to Sweden and the remaining 22 are either now ready, or will shortly be ready, for delivery.

Two additional contracts for delivery of 28 light bombing planes and 60 pursuit planes were concluded with Republic Aviation Corporation on December 19, 1939, and January 5, 1940, respectively. An application for permit to ship planes under these contracts was rejected on July 13, 1940. When the first of the orders with the Republic Aviation Corporation was placed, the output of this factory was relatively small, and the orders from Sweden have undoubtedly contributed to the building up of the production capacity of this plant. Neither of the types on order with the Republic Aviation Corporation have been accepted by the U.S. Army.

A contract providing for delivery of 144 pursuit planes was signed with the Vultee Aircraft, Incorporated on February 6, 1940. An application by the Vultee Aircraft, Incorporated, for license to export the planes ordered has been refused. The type of airplane covered by this order has not been approved by the U.S. Army.

Orders for airplane motors have, at different times, dated from October, 1939, to March, 1940, been placed with United Aircraft Corporation of East Hartford, Conn. For six of these orders licenses have been granted, namely:

license no.	248	for	30	motors
"	"	315	"	7
"	"	865	"	20
"	"	1524	"	103
"	"	518	"	40
"	"	1225	"	20

The last two refer to motors ordered by civilian users, A.B. Aero-

material and the Swedish Air Lines. Some of the motors covered by these licenses have already been shipped to Sweden and others are ready for delivery. In addition two orders have been placed with the United Aircraft Corporation, through the Republic Aviation Corporation, for 11 motors, and through Vultee Aircraft, Incorporated, for 15 motors. An application by Vultee Aircraft, Incorporated for a license has been rejected.

In April, 1940, the Swedish Air Force Commission ordered 33 airplane motors from the Wright Aeronautical Corporation, of Paterson, N.J. An application by the manufacturer for a license to export these motors was rejected by the State Department on July 29, 1940.

By two orders dated October 11, 1939, and May 10, 1940, the Swedish Air Force Commission contracted for delivery of 20 and 103 airplane propellers, respectively, by the United Aircraft Corporation. Licenses bearing the numbers 248 and 1523 have been granted for the export of these propellers. The Air Force Commission have also ordered certain spare parts from the Republic Aviation Corporation and the Vultee Aircraft, Incorporated, but applications for the export of these spare parts have been rejected, as is also the case with regard to applications for licenses to export certain instruments ordered by the Air Force Commission.

Negotiations have been conducted by the Swedish Air Force Commission and the United Aircraft Corporation of East Hartford, Conn., looking towards a contract for the sale of manufacturing rights of the Twin-Wasp airplane engine in Sweden. By a letter dated July 19, 1940, the United Aircraft Corporation informed the Swedish Air Force Commission that they had been informed that the U.S. Government was opposed to the company negotiating or closing any contracts for the foreign sale of manufacturing rights of aircraft engines which they manufactured. The negotiations for the sale of the manufacturing rights of the Twin-Wasp engine in Sweden have, therefore, been broken off.

On April 5, 1940, the Swedish Government Trade Delegation ordered 2,000 9 mm. caliber automatic rifles from Smith & Wesson, Incorporated, of Springfield, Mass. This order was subsequently increased by 2,300 rifles, making a total of 4,300. About half of this total is now awaiting shipment, and the remainder will

soon be ready for delivery. An application by Smith & Wesson, Incorporated, to the State Department for license to export these rifles has been rejected. Prior to this contract, Messrs. Smith, Wesson, Inc. had not manufactured rifles of this type, and by this order they have undoubtedly gained experience and increased their manufacturing facilities. Neither the model nor the caliber of this rifle has been approved by the U.S. Ordnance Department.

On April 2, 1940, the Swedish Government Trade Delegation ordered 1,000 unloaded depth charges from York Safe and Lock Co., of York, Pa. Part of this order is now ready for shipment, but York Safe and Lock Co.'s application for a license to export these depth charges has been rejected.

Washington, D.C., August 7, 1940.

Avskrift.

The Swedish Minister presents his compliments to the Honourable the Secretary of State and, with reference to previous verbal representations in the State Department, has the honour to request the kind assistance of the Secretary in the following matter:

Negotiations have been conducted by the Swedish Air Force Commission and the United Aircraft Corporation of East Hartford, Conn. looking towards a contract for the sale of manufacturing rights of the Twin-Wasp airplane engine in Sweden. By a letter dated July 19, 1940, the United Aircraft Corporation informed the Swedish Air Force Commission that they had been informed that the U.S. Government was opposed to the company's negotiating or closing any contracts for the foreign sale of manufacturing rights of aircraft engines which they manufactured. The negotiations for the sale of the manufacturing rights of the Twin-Wasp engine in Sweden have, therefore, been broken off.

The type of engine in question is already fairly old and of a power that probably will not suffice for use in modern military airplanes of the United States. Furthermore, if the manufacturing rights should be granted, it will be a long time before the first engines could be completed in Sweden. The granting of the manufacturing rights does, consequently, not involve any release of military secrets.

The Swedish Government has placed large contracts with Swedish airplane manufacturers, all of which contracts are based on the use of engines to be purchased in the U.S.A. Contracts for these engines have been placed, but the necessary export licenses have recently been revoked.

The granting of manufacturing rights for the Twin-Wasp engine would be a great help in overcoming the difficulties which the Swedish Government are now facing through the revocation of all the export licenses for airplanes and engines.

Acting upon instructions from his Government, the Swedish Minister begs leave to ask the Secretary of State to be good enough to approach the proper branch of the American Government in order that the necessary

305: 234
Welles

August 28, 1940.

My dear Mr. Welles,

Since my conversation with you regarding the licenses for aero equipment, I have been in communication with the responsible officers of the State Department and on their advice presented our case to Mr. Young's committee at two meetings.

At the first of these meetings we only dealt with airplanes, airplane motors, and other aero equipment. Mr. Young was very definite that irrespective of the merits of the case the whole of this material was needed for the defense of the country and this argument would override any other consideration. Only in respect of some minor spare parts for machines already delivered would Mr. Young be prepared to consider an application for review of the decisions.

I still feel that in respect of the small number of airplanes and motors which are ready for shipment the decision, taking all facts into consideration, is unduly harsh. The loss to Sweden is far greater than any possible benefit which this country's defense forces can derive from materials which are not made to accepted

Hon. Sumner Welles,
Under Secretary of State,
Department of State,
Washington, D.C.

standards. The decision on contracts which are still in the preliminary stages we accept without demur and in fact I wish to convey that the considerable experience which the chief of the Swedish Air Force Commission has gained during planning and trial of these planes will unhesitatingly be put at the disposal of the United States military experts, if they wish to avail themselves of this offer.

I have today had another meeting with Mr. Young and his experts at which we discussed the licenses to export certain arms and ammunition which has been ordered by the Swedish Government from firms in this country.

It is with regard to these last cases I take the liberty to ask for your kind intervention. As you no doubt recollect, at one of our interviews you expressed the opinion that whatever would be the outcome with regard to airplanes there should be no difficulty in the way of obtaining licenses for other material. I might add that the impression I brought away from my conversation with the President was that he held a similar opinion.

Mr. Young however spoke in a very different vein. He held out no hope that licenses would be granted in any case. What I felt particularly disturbing was that this seemed to be a foregone conclusion whatever the merits of case, whatever cost or inconvenience involved and whether or not the material would be of any conceivable use to the United States defense forces. Of course, if it had from the beginning been made clear to me that a cast-iron embargo would be applied irrespective of the merits of the case, I should not have gone to the trouble of submitting any arguments. But this was certainly not my

- 2 -

impression of the President's or your own attitude. It seems in fact to me to be wholly at variance with the policy of the United States Government during the lengthy discussions of these contracts.

With my letter of August 7th I forwarded an Aide-Memoire containing the essential data concerning outstanding contracts. I now enclose an Aide-Memoire which gives a more detailed account of the contracts which do not refer to airplanes or other aere equipment and I shall be grateful if you could see your way to use your good offices to obtain an impartial review of these cases on their merits.

Sincerely yours,

Aide-Mémoire

Of the contracts placed by the Trade Delegation which the Swedish Government early this year dispatched to the U.S.A. to purchase goods for their account, the following are still outstanding.

1. Two contracts for delivery of 9 mm. caliber automatic light rifles were placed by the Trade Delegation with the Smith & Wesson, Inc., of Springfield, Mass., in April this year. The first of these contracts was for 2,000 and the second for 2,300 automatic rifles.

Prior to these contracts Messrs. Smith, Wesson, Inc. had not manufactured rifles of this type and to facilitate the purchase of necessary machinery and materials, the Trade Delegation advanced half of the purchase price of the first contract, in pre-payment. An irrevocable letter of credit has been opened in favor of Messrs. Smith & Wesson for the remainder.

At the time this rifle was tested by the Control Officer of the Swedish Government Trade Delegation, it was found that several changes were desirable in order to increase its efficiency and make it more suitable for army use. The Swedish Government Trade Delegation suggested certain changes which were later incorporated in the design, and the Swedish Government has thus substantially contributed to the present model of the Smith & Wesson automatic rifle.

The quantity contracted for under the first of these orders should have been ready for delivery not later than July 18, and the contract contains a penalty clause by which Smith & Wesson, failing delivery, is liable to pay \$1.00 per week, per rifle, from the date mentioned. On July 8th, Messrs. Smith & Wesson applied to the State Department for a license to export the rifles contracted for, which application, however, was immediately refused.

There is no doubt that through these orders Messrs. Smith & Wesson had gained considerable experience and increased their manu-

facturing capacity for this type of small arms. Neither the model nor the caliber of this rifle has been approved by the U.S. Ordnance Department. Furthermore, since the caliber is a metric one, it seems on the face of it highly unlikely that the U.S. Army will ever adopt such a caliber as standard.

2. In February and May of this year, the Swedish Government Trade Delegation placed two contracts with the Western Cartridge Company (Winchester), for 9 mm. cartridges. The first of these contracts was for 10,000,000, and the other for 12,000,000 cartridges. In respect of the first contract, the Trade Delegation paid 50 percent of the contract price when placing the order, and the remainder has since been paid. An irrevocable letter of credit in favor of the Western Cartridge Company has been opened to cover the cost of the second order. Licenses for the export of these quantities were granted on March 22nd and June 8th respectively.

Out of the first order for 10,000,000 cartridges, 2,000,000 had been shipped before the President's Proclamation of July 2nd. The remainder of this order, about 8,000,000 cartridges, has been ready for shipment for some time, partly stored in New York and the balance at the Winchester plant at New Haven. It is understood that the license is still valid for a quantity stated to be 7,250,000 cartridges. The Customs authorities in New York made difficulties when some of these cartridges were going to be shipped at the beginning of July, but it is presumed that necessary instructions will be issued to the Customs so that proposed shipments of remaining cartridges can be arranged at an early date.

The Western Cartridge Company has advised the Trade Delegation that the license for the second contract, originally granted on June 8th, has been revoked. The Western Cartridge Company is, however, apparently continuing manufacture under this contract, and has given notice that 1,000,000 cartridges are now ready for delivery and that the delivery schedule, which allows for shipment of 1,000,000 a week, will be adhered to.

The revocation of this license will seem particularly harsh in view of the fact that Sweden supplied considerable quantities

of 9 mm. automatic rifles and ammunition to Finland during the Russo-Finnish War, and the orders placed with the Western Cartridge Company were intended for replacement of the stocks thus depleted. This type of ammunition is not manufactured in Sweden and cannot, under the present circumstances, be acquired elsewhere.

3. A contract has been placed in February, this year, with the Remington Arms Corporation for delivery of a total of 5,200,000 .45 caliber cartridges. The Trade Delegation has taken delivery of these cartridges which have been paid for in full. License for the export of this material was granted in March, 1940. It is understood that this license recently has been revoked.

Early this year, Sweden bought 520 Thompson sub-machine guns in the U.S.A., which were delivered during February, and the cartridges ordered from the Remington Arms Corporation were intended for these guns. 3,150,000 cartridges had been shipped prior to the President's Proclamation of July 2nd. The balance, 2,050,000 cartridges, were ready for shipment at that time and were actually loaded on the S/S Veli Ragnar, bound for Petsamo. The Customs authorities at New York, however, refused clearance for the vessel, and the consignment had to be discharged before the vessel was allowed to sail. This action was taken in spite of the fact that the license was still valid and the State Department had indicated there was no reason why the cartridges should not be shipped. The license was revoked at a much later date, and there doesn't seem to be any justification for such an action as shipment had been delayed by arbitrary action on the part of a Government official, contrary to the assurances which the State Department had given to the Swedish Legation.

4. On April 2, 1940, the Swedish Government Trade Delegation ordered 1,000 unloaded depth charges from York Safe and Lock Company, of York, Pa. The Trade Delegation paid part of the contract price when the order was placed and an irrevocable letter of credit has been opened in favor of York Safe and Lock Company for the remainder. The York Safe and Lock Company applied to the State Department for a license to export these depth charges, but this application has been rejected. Part of this order is now ready for shipment. The depth charges are of model Mark III, and consequently not of the latest design approved by the U.S. Navy.

The Swedish Government Trade Delegation, on June 12, acquired 1,010 detonator fuses for depth charges from the U.S. Government, these fuses having been classed as obsolete material. Some differences of opinion apparently existed whether a license was required for this material, but on June 19, the State Department authorized the Collector of Customs at New York to release the detonator fuses for shipment without any further formalities. The detonator fuses were loaded on the Finnish S/S Veli Ragnar, which boat however did not sail until the President's Proclamation of July 2nd came into effect. The Collector of Customs at New York refused clearance of the S/S Veli Ragnar with the detonators still on board, in spite of the fact that they had been loaded before the Proclamation went into effect. The detonators were subsequently discharged to allow the boat to sail. Whatever comments might be made on the action of the Customs in this case, no action will be taken to secure an export license unless a license be granted for the depth charges mentioned in the preceding paragraph, as the fuses are intended for use with these depth charges.

Washington, D.C., August 28, 1940.

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE September 13, 1940

TO Secretary Morgenthau

FROM E. H. Foley, Jr.

The question has arisen whether the following proviso, which appears under "Military Posts" in Title III, Military Appropriation Act, 1941 (Public, No. 781, 76th Congress), requires that fixed fees to be paid to contractors manufacturing Army airplane engines for the United States may exceed six per centum of the estimated cost of the contract exclusive of the fee:

"Provided further, That the fixed fee to be paid the contractor as a result of any such public works contract hereafter entered into shall not exceed 6 per centum of the estimated cost of the contract, exclusive of the fee, as determined by the Secretary of War."

It is submitted that the answer to that question depends on whether the contract provides that the airplane engines will become the property of the United States prior to completion and acceptance by the Government. If the contract does so provide, the fee may not exceed 6%. If, on the other hand, the airplane engines, under the terms of the contract, remain at the risk of the contractor and do not become the property of the United States until accepted by the Government, the fee may exceed 6%.

S. H. FH

TREASURY DEPARTMENT

Man

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INTER-OFFICE COMMUNICATION

DATE September 13, 1940

TO Secretary Morgenthau
FROM E. H. Foley, Jr.

You asked this morning for a report on the requisition bill (H.R. 10339) now pending in Congress.

The bill has passed the House and is now on the Senate calendar where it may be called up for consideration by the Majority Leader whenever the Senate disposes of the matters now before it.

The bill provides that the President, when he determines it to be in the interest of national defense, may requisition any military or naval equipment, munitions, machinery, tools, materials, or supplies necessary for the manufacture, servicing, or operation of such equipment or munitions, processed for export purposes, if the exportation of such equipment or munitions has been denied. Such articles may be used by the United States or may be sold when such sale is in the public interest.

The measure obviously would be helpful in connection with the Vultee airplane transaction.

Larry Bernard will talk to Senator Barkley about the measure and do whatever he can to expedite its early consideration.

I am attaching a copy of the bill in its present form.

Attachment *S. 11. 76*

Calendar No. 2209

76TH CONGRESS
3d Session**H. R. 10339**

[Report No. 2097]

IN THE SENATE OF THE UNITED STATES

AUGUST 23 (legislative day, AUGUST 5), 1940

Read twice and referred to the Committee on Military Affairs

SEPTEMBER 9 (legislative day, AUGUST 5), 1940

Reported by Mr. HILL, with amendments

[Insert the part printed in *italic*]

AN ACT

To authorize the President to requisition certain articles and materials for the use of the United States, and for other purposes.

- 1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That whenever the President determines that it is necessary
4 in the interest of national defense to requisition and take
5 over for the use or operation by the United States or in its
6 interest any military or naval equipment or munitions, or
7 component parts thereof, or machinery, tools, or materials
8 or supplies necessary for the manufacture, servicing, or oper-
9 ation thereof, *ordered, manufactured, procured, or possessed*
10 *for export purposes*, the exportation of which has been denied

1 in accordance with the provisions of section 6 of the Act
2 approved July 2, 1940 (Public, Numbered 703, Seventy-
3 sixth Congress), he is hereby authorized and empowered to
4 requisition and take over for the said use or operation by the
5 United States, or in its interest, any of the foregoing articles
6 or materials, *and to sell or otherwise dispose of any such*
7 *articles or materials, or any portion thereof, whenever he*
8 *shall determine such action to be in the public interest. Any*
9 *moneys received by the United States as the proceeds of any*
10 *such sale or other disposition of any such articles or mate-*
11 *rials or any portion thereof shall be deposited to the credit*
12 *of that appropriation out of which was paid the cost to*
13 *the Government of the property thus sold or disposed of, and*
14 *the same shall immediately become available for the purposes*
15 *named in the original appropriation.*

16 SEC. 2. Whenever the President shall requisition and
17 take over any article or material pursuant to the provisions
18 of this Act, the owner thereof shall be paid as compensation
19 therefor such sum as the President shall determine to be fair
20 and just. If any such owner is unwilling to accept, as full
21 and complete compensation for such article or material, the
22 sum so determined by the President, such owner shall be
23 paid 50 per centum of the sum so determined by the Presi-
24 dent and shall be entitled to sue the United States for such
25 additional sum as, when added to the sum already received

1 by such owner, such owner may consider fair and just com-
2 pensation for such article or material, in the manner pro-
3 vided by sections 41 (20) and 250, title 28, of the Code
4 of Laws of the United States of America: *Provided*, That
5 recovery shall be confined to the fair market value of such
6 article or material, without any allowance for prospective
7 profits, punitive or other damages.

8 SEC. 3. The authority granted in this Act shall terminate
9 June 30, 1942, unless the Congress shall otherwise provide.

Passed the House of Representatives August 22, 1940.

Attest:

SOUTH TRIMBLE,

Clerk.

H. R. 10333

H. R. 10339

[Report No. 2097]

AN ACT

To authorize the President to requisition certain articles and materials for the use of the United States, and for other purposes.

AUGUST 23 (legislative day, AUGUST 5), 1940
Read twice and referred to the Committee on Military Affairs

SEPTEMBER 9 (legislative day, AUGUST 5), 1940
Reported with amendments

September 13, 1940
10:00 a.m.

H.M.Jr: Hello.

Operator: Mr. Knudsen.

H.M.Jr: Hello.

Wm. S. Knudsen: This is Bill.

H.M.Jr: How are you? This is Henry.

K: Say, you know the public bill No. 781, it's a \$5 billion bill - \$5 billion appropriation?

H.M.Jr: Yeah.

K: Well, on the second page of that bill are sections dealing with military posts and it specified that a fixed fee paid on public works contracts should not exceed 6%.

H.M.Jr: Yeah.

K: Well, some chap tries to tell me that an airplane is a public work and of course from reading the bill there doesn't seem to be any sense in that at all - it merely deals with construction contracts and cantons.

H.M.Jr: Yeah.

K: Now is there any way I could borrow this legal light of yours, Mr. Foley, to look that one over?

H.M.Jr: Sure.

K: Would you ask him to?

H.M.Jr: I'll ask him to and give you an answer within the hour.

K: Thank you very much.

H.M.Jr: How's that?

- 2 -

K: Thank you very much.

H.M.Jr: Bill, I think you did a swell job up there with Curtiss.

K: With Curtiss?

H.M.Jr: Well, I mean, on these P-40's, you know.

K: Oh, yes.

H.M.Jr: What?

K: Well, I got the English the planes. Now, they are worrying about some motors and I told Young to get the actual number of motors they are short and let's deal with each shortage as it comes along.

H.M.Jr: Yeah.

K: We, of course, are going to be short of motors next year. You know that, and we are going to make some arrangements to try to get some more manufactured, see. But if we deal with these shortages as they come along and try to dispose of them in conference, I think that's the best way.

H.M.Jr: Right.

K: I mentioned to the President yesterday that we were trying every way to meet the demands for them if we could. Of course, we'll never get through, you know that, they never get through asking and I'd be very frank in saying so.

H.M.Jr: Right.

K: But if we take each item specifically, I think we can satisfy them.

H.M.Jr: O. K.

K: All right.

H.M.Jr: Thank you.

September 13, 1940
12:12 p.m.

H.M.Jr: Hello.

Operator: Secretary Hull coming on.

H.M.Jr: Hello.

Mr. Hull's Secretary: He's coming right on, sir.

Cordell Hull: Hello, Henry.

H.M.Jr: Hello, Cordell.

H: I don't know anything about what happened between the British Ambassador and the President about those rifles and rounds of ammunition that were supposed to be talked about in connection with these bases and destroyers.

H.M.Jr: Well, if you don't know, who does.

H: Well, here's what happened, you see. The day before I went to Hot Springs on the 4th of August the British Ambassadors came in and after talking some to the President brought up with me the destroyer - he mentioned destroyers only and bases, and I then, the next morning, went to the Springs. Well, when I came back from the Springs two weeks later the President and Stimson and Welles all went off, and they were the only ones who had talked up this - who knew about these other things.

H.M.Jr: I see.

H: I hadn't heard anything but the destroyers mentioned and I saw some reference in one cable of the President's that it would be possible or might be possible to get Congress to agree to sell these surplus torpedo boats - that 20 that had been held illegal - transfer.

H.M.Jr: Yeah.

- 2 -

- H: So I was told that of course we couldn't deal with them and brushed that aside - paid no attention to that matter thinking they were all included if any were and I didn't have any of their later data and they were all away during the five or six days and I closed this matter up.
- H.M.Jr: Well, you see, here's
- H: I made it awfully clear to Lothian that I was told that it was illegal to transfer these other things and that there's nothing in my transfer proposal except the destroyers.
- H.M.Jr: Well, you see, I was away for two weeks and I don't know. They put this pressure on me and then I got this letter from Lothian in which he said the President said he should take this thing up with me, because I told Lothian that's all very nice, but unless Mr. Hull will advise me that this is part of the deal, there's nothing that I can do. You see?
- H: Yes.
- H.M.Jr: And then, I mean, because I knew about the destroyers, I knew that these 21 little boats were illegal. As a matter of fact, you see, Lothian would keep saying he's in such an embarrassing position because he promised all of this stuff - well, I understand that Stimson now has told him he's going to give them the 250,000 rifles and also the five bombers, so if they've got that, they've got about everything that they were promised.
- H: Yes, there's some rounds of ammunition which wouldn't amount to much.
- H.M.Jr: No, I don't think that that - I never heard that mentioned.
- H: Well, I can't tell - they keep talking you know.

- 3 -

- H.M.Jr: Well, doesn't it really then get down that the only person who knows is Mr. Roosevelt?
- H: Well, I think they were talking - he and Stimson. Stimson claims to have talked with the President and them.
- H.M.Jr: Oh. Well, I didn't know that.
- H: That was while I was away. Now Sumner didn't understand that we were obligating ourselves to sell these but that the War Department and the President - among them - were just seeing what we could sell.
- H.M.Jr: Well, why don't either you or I raise it at Cabinet?
- H: Well, if it's a question of whether we oughtn't to do it privately
- H.M.Jr: I get you. I see.
- H: Yeah. Anyhow the Ambassador asked me to call you. Well, I didn't know what the President had said to you, you know.
- H.M.Jr: Well, all he just said is, get what you can Henry. He hasn't specified, he simply said, Henry, get what you can for them.
- H: Now, I had Welles to call the President yesterday and go over the way this happened while he was away and to say that of course we'd be glad to see him have anything done that was feasible that would carry out any plans of his that I didn't know about, and that was what happened. Now, here's another little thing, Henry, if you'll make a note of it and have your fellows look into it.
- H.M.Jr: Yes, and when you're through I have something I'd like to say.
- H: Yes. Henry, these Texas Oil people claim that the Mexicans are bringing oil in here on a dumping basis. Now, I don't know for

certain whether our fellows are looking at the close technical dumping provisions or whether they are considering it in a little broader application, but they are bringing it in here and the Mexicans think it's that confiscated oil.....

- H.M.Jr: Oh, my!
- H: that's being brought in, and under-selling them a way yonder. They are asking your Customs people to look into the anti-dumping or any other provision that you've got there.
- H.M.Jr: I'll put it right up to my boys right away.
- H: That - what is that other provision about heading off imports?
- H.M.Jr: Countervailing duties.
- H: Yeah. Have them look into it and see if they can't stop it in some way, that is, see if they've got ground.
- H.M.Jr: I'll have them look into it.
- H: Thank you, Henry. Now, go ahead with your matter.
- H.M.Jr: Well, I was wrong when I told you that Berle was frowning on our giving money to the French Embassies in South America. I was mixed up. He's been in favor of it.
- H: Yes. Well, I was under the impression that at the Cabinet the President agreed for them to have it for this hemisphere but not for the balance of the world.
- H.M.Jr: No, he wrote on this letter which I gave him a question mark on South America. He said look into it further. But I'm going to bring it up in Cabinet because I've got more information now on what they want.

- 5 -

H: I see.

H.M.Jr: And I thought I'd bring it up.

H: Is there anything I should work up on?

H.M.Jr: Well, just how you feel about letting them have this money in South America on a month-to-month basis.

H: Does it amount to much?

H.M.Jr: I think - I don't know. They're giving me the figures - I think it's a couple of million dollars.

H: I see. It oughtn't to be that much.

H.M.Jr: But I haven't seen the figures yet; they just got them.

H: All right, Henry. I'm very much obliged.

H.M.Jr: Thank you.

November 13, 1940

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TREASURY DEPARTMENT
Office of the Secretary
Technical Assistant to the Secretary

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Date September 13, 1940

September 13, 1940

TO Secretary Morgenthau TO:

FROM Mr. Cochran

Secretary Morgenthau

Room

By appointment the Secretary has been present. Mr. Alphanand had had several technical officers of the Treasury country.

Livesey phoned me at 1 o'clock that Secretary Hull desired that Dr. Feis obtain for him figures with respect to the location of French gold, for this afternoon's Cabinet Meeting. I have appended such information to the attached memorandum.

Herve Alphanand, Cochran was with the technical assets in this

The Secretary greeted me and stated that his own position was directly the question of the sympathy of his Government was sympathetic. When the Secretary asked me affirmatively. The Secretary from his conversations with me and with whom he could talk as frankly with him. The French officially welcomed the French could tell the Secretary it was impossible to transfer them because of the American control. The French welcomed this protection. On the other hand they were not reconciled to a control which approached strangulation.

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From: MR. COCHRAN

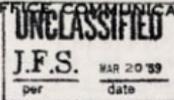
When the Secretary asked for an explanation of this remark, Alphanand referred to the problems encountered by him in making funds available for French diplomatic and consular officers in the United States, Latin America and other parts of the world, which matter he stressed as urgent. The Secretary stated that it was his understanding that the Treasury was already taking care of the question of payments to French diplomatic and consular officers in the United States. Mr. Cochran confirmed that the French request, plus an additional ten percent, totaling \$1,100,000 per year for this purpose had been approved.

Mr. Alphanand acknowledged that as a technician he could state that the plan on which he had been working with Treasury experts would function insofar as French officers in the United States were concerned. Politically, however, he was not sure that his Government could acknowledge such supervision of their diplomatic expenditures. He said this was a question of sovereignty, and that his Ambassador had seen Secretary Hull on this point two days ago.

Secretary Morgenthau emphasized to Alphanand that the Treasury was handling the technical end of control and that it looked to the Department of State for advice and guidance on questions of foreign policy that might be involved in the control. He added that Mr. Hull had just spoken with him on the telephone before Mr. Alphanand

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION



DATE September 13, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

~~STRICTLY CONFIDENTIAL~~

By appointment the Secretary received at 10:00 this morning Mr. Herve Alphan, the newly appointed Financial Counselor of the French Embassy. Mr. Cochran was present. Mr. Alphan had been in Washington since Tuesday working with the technical officers of the Treasury on questions of control of French assets in this country.

The Secretary greeted Mr. Alphan cordially. The latter replied that he understands that his own position in this country is difficult. He brought up immediately the question of the Treasury's control of French assets. He stated that his Government was sympathetic with the Treasury's purpose in freezing French funds. When the Secretary asked him if this was the official French view, Alphan replied affirmatively. The Secretary stated that he had not been sure of this attitude from his conversations with Mr. Leroy-Beaulieu, whom he had known for several years and with whom he could talk quite frankly. Alphan hoped that the Secretary could speak as frankly with him. Alphan clarified the above statement by stating that the French officially welcomed the idea of our so controlling the French assets that the French could tell the Germans, if the latter requested such assets, that it was impossible to transfer them because of the American control. The French welcomed this protection. On the other hand they were not reconciled to a control which approached strangulation.

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entered, and had referred to the French Ambassador's visit. In answer to Mr. Alphan's inquiry as to whether the Treasury would now be willing to be more generous on the matter of controlling French official expenditures, following the representations which the French Ambassador had made to Secretary Hull, and Secretary Hull's conversation with Secretary Morgenthau, the latter replied that Secretary Hull had given him no advice in this direction.

Secretary Morgenthau again stated that he was always pleased himself to discuss, or have members of his staff discuss, with Mr. Alphan the technical operations of the control insofar as France is concerned, but that the political angle would have to be taken up with the Department of State. The Secretary of the Treasury looked to the Secretary of State for advice and to the President for instructions on such matters.

B.M.R.

It should be added that in the course of the conversation Secretary Morgenthau remarked that it had been suggested in some quarters that the French utilize the gold which they have in Martinique for payments such as those under discussion with Mr. Alphan. The Secretary thought that there were between \$240,000,000 and \$250,000,000 worth of French gold in Martinique. Alphan was inclined to doubt the practicability of this suggestion.

In this connection confidential British figures regarding the location of French gold in mid-July were as follows:

In the United States	\$507 million
In Canada	376 million
In London	280 million
In Martinique	245 million
Other French gold	<u>512 million</u>
Total	\$1,920 million

Since the above data were compiled it is believed that the French gold in London has likely gone to Canada. Of the "other French gold" a considerable part is believed to be in Dakar. Some small portion may have remained in France.

B.M.R.

C
Y
(Handed by Mr. Pinsent of the British Embassy to Mr. Cochran in the Treasury at 4:30 p.m., September 13, 1940.)

Antorg Trading Corporation have offered \$7,000,000 worth of gold to the New York office of the Bank of America. It is unlikely that the latter will accept the consignment to which they consider that a certain amount of suspicion attaches. They seem to suspect that the gold belongs to the recently annexed Baltic States and the Federal Reserve Bank are said to be making investigations.

Bank of America have never in the past handled Russian gold, which has usually been purchased by the Chase National Bank. Antorg may have private reasons for not approaching the latter Bank on this occasion.

(Initialed) G.H.S.P.

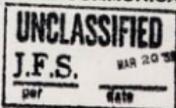
British Embassy,

12th September 1940.

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION



DATE September 13, 1940

TO Secretary Morgenthau
 FROM Mr. Cochran

~~STRICTLY CONFIDENTIAL~~

While in Washington this week Mr. Alphan, the newly appointed Financial Counselor of the French Embassy, has presented detailed figures setting forth the annual requirements of the French Embassy in Washington and the French Consulates in the United States, including Manila, P. I., and San Juan, Puerto Rico. These figures for one year totaled \$1,057,000. On September 11 the Treasury Department issued a license for the withdrawal of \$195,000, which is the equivalent of two months calculated at the above figure plus a 10% increase. That is, we increased the French official estimate by 10%, and are now taking care of two months requirements, i.e., September and October, with one license. Hereafter the system will be on a monthly basis, our renewal being made on the 15th of the preceding month provided there is no change in the situation.

Mr. Alphan submitted a separate estimate of annual disbursements for French diplomatic and consular posts in Central and South America. These estimates approximated \$1,700,000, but did not include Brazil. Calculating expenses for Brazil on the same level as those for Argentina, the total would be \$2,400,000 per year. If we added 10% to this, as to the estimate for the United States, the total would be \$2,640,000. The monthly figure would then be \$220,000. Application for Latin America is still pending.

B. M. F.

September 13, 1940

MEMORANDUM

To: The Secretary

From: Mr. Young

Subject: War Material on Order for Swedish Government
Exclusive of Aircraft, Aircraft Engines and
Aircraft Accessories.

With respect to the following items, export licenses
have either been revoked or refused with the exception of
7,250,000 9 mm. cartridges.

1. 4,300 Smith and Wesson 9 mm. automatic rifles
(not used by U. S. Army).
2. 12,750,000 9 mm. cartridges (1,750,000 cartridges
now ready for shipment; production at the rate of
1,000,000 a week).
3. 2,050,000 .45 calibre cartridges (ready for ship-
ment; to be used for 520 Thompson submachine guns
bought by Sweden and delivered last February).
4. 1,000 unloaded depth charges (not the latest U. S.
Navy design).
5. 1,010 detonator fuses for depth charges (bought
from surplus stocks and classed as obsolete; export
license not required).

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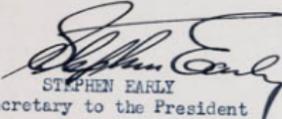
THE WHITE HOUSE
WASHINGTON

September 13, 1940

My dear Mr. Secretary:

The President directs that I transmit to you, for your information and guidance, the attached copy of the message he has sent to the Congress today.

Respectfully yours,


STEPHEN EARLY
Secretary to the President

The Honorable,
The Secretary of the Treasury,
Washington, D. C.

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September 13, 1940

CONFIDENTIAL: To be held in STRICT CONFIDENCE and no portion, synopsis or intimation to be published or given out until the READING of the President's Message has begun in the Senate or the House of Representatives. Extreme care must therefore be exercised to avoid premature publication.

STEPHEN EARLY
Secretary to the President

TO THE CONGRESS OF THE UNITED STATES:

The National Defense Advisory Commission on September 6, 1940 unanimously agreed to and adopted general principles governing the letting of national defense contracts. On August 31, the Commission also unanimously adopted a statement of labor requirements as a guide for contractors who have received national defense orders from the United States Government.

I consider these two documents to be of such importance as to justify my sending them to the members of the Senate and the House of Representatives as a matter of information. The values of these policies and principles to the government, to industry, agriculture, labor and to the country, sectionally and as a whole, will be seen at once.

The general principles governing the letting of defense contracts follow:

"The essence of the Preparedness Program is the getting of an adequate supply of materials of the proper quality in the shortest space of time possible. Considerations of price alone are highly important, but in the Emergency are not governing.

"1. Speed of delivery of all items on the Defense Program is essential. This means:

- "a) That orders should be placed in such a manner as to insure the most efficient use of each particular facility from the point of view of the program as a whole;
- "b) That proper consideration should be given to contributory industries, such as the machine tool industry, to avoid creating underlying bottlenecks;
- "c) That once delivery dates are fixed, assurance be given that they will be met by the supplier.

"2. Proper quality is also of prime importance. It is therefore necessary to determine first of all whether or not the supplier can meet the quality requirements, as specified. There should be a willingness on the part of both the Army and Navy, on the one hand, and of the supplier on the other, to adjust specifications on a cooperative basis in order that such specifications may come as near as possible to meeting commercial standards while at the same time fulfilling the military requirements.

"3. Price, while not the sole consideration, is of outstanding significance, and every effort must be made to secure a fair price. This must take recognition, among other things, of determination of proper cost factors.

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"4. The impact of the defense program upon the consumers must be recognized. This relates to such factors as:

- "a) Due regard to the necessity of protecting civilian needs and morale;
- "b) Proper health and housing conditions among employees;
- "c) Consideration to possible off-season production in order to dovetail the military program into production for civilian requirements. Off-season production should also lead to lower overhead and consequently to lower prices for both the consumers and the Government.

"5. Adequate consideration must be given to labor. This means compliance with the principles on this subject stated by the Commission in its release of August 31st, copy of which is attached hereto.

"6. Undue geographic concentration of orders should be avoided, both as to procurement districts and as to industrial sections within any such procurement district. Reasons for such decentralization relate to factors of military strategy, as well as avoiding congestion that will slow down production.

"7. Financial responsibility of the supplier should be examined. Ability to post a bond does not necessarily dispose of this problem. The probability should exist that the supplier will be able to continue in business, at least long enough to complete his contract satisfactorily. Further, an ability to finance himself through private sources should take preference over necessity for securing government aid.

"8. The avoidance of congestion of transportation facilities should be sought. The same applies to warehousing facilities.

"9. Due consideration should be given to the adequacy of power facilities, particularly where furnished by public utilities.

"10. A general preference should be given to firms having experience with so-called educational orders.

"11. The moral responsibility of the supplier is important, and in some respects, fundamental. There should be evidence of honest and sincere desire to cooperate with the Army and Navy in producing what is called for, and on time, without profiteering; to assume some risks himself rather than attempting to shift all such risks to the Government; and to furnish a correct statement as to his capacity and his experience. The supplier's general standing and reputation among reputable business men (as distinct from his financial rating) is one index of such qualifications.

"12. The Commission recognizes that competitive bidding is the better procedure in certain types of industry and circumstances. However, it is often impossible to make sure that the principles outlined above are followed when contracts are placed on the basis of price alone and are let to the lowest bidder. Therefore, in cases where competitive bidding will not fulfill the above stated needs of national defense, the Commission recommends that the use of the negotiated contract be authorized where necessary in order that these objectives be obtained in making defense purchases."

Following is the statement of labor policy adopted by the National Defense Advisory Commission:

"Primary among the objectives of the Advisory Commission to the Council of National Defense is the increase in production of materials required by our armed forces and the assurance of adequate future supply of such materials with the least possible disturbance to production of supplies for the civilian population. The scope of our present program entails bringing into production many of our unused resources of agriculture, manufacturing and man power.

"This program can be used in the public interest as a vehicle to reduce unemployment and otherwise strengthen the human fiber of our nation. In the selection of plant locations for new production, in the interest of national defense, great weight must be given to this factor.

"In order that surplus and unemployed labor may be absorbed in the defense program, all reasonable efforts should be made to avoid hours in excess of 40 per week. However, in emergencies or where the needs of the national defense cannot otherwise be met, exceptions to this standard should be permitted. When the requirements of the defense program make it necessary to work in excess of these hours, or where work is required on Saturdays, Sundays or holidays, overtime should be paid in accordance with the local recognized practices.

"All work carried on as part of the defense program should comply with Federal statutory provisions affecting labor wherever such provisions are applicable. This applies to the Walsh-Healy Act, Fair Labor Standards Act, the National Labor Relations Act, etc. There should also be compliance with state and local statutes affecting labor relations, hours of work, wages, workmen's compensation, safety, sanitation, etc.

"Adequate provisions should be made for the health and safety of employees;

"As far as possible, the local employment or other agencies designated by the United States Employment Service should be utilized;

"Workers should not be discriminated against because of age, sex, race or color;

"Adequate housing facilities should be made available for employees.

"The Commission reaffirms the principles enunciated by the Chief of Ordnance of the United States Army, during the World War, in his order of November 18, 1917, relative to the relation of labor standards to efficient production:

"In view of the urgent necessity for a prompt increase in the volume of production ***, vigilance is demanded of all those in any way associated with industry lest the safeguards with which the people of this country have sought to protect labor should be unwisely and unnecessarily broken down. It is a fair assumption that for the most part these safeguards are the mechanisms of efficiency. Industrial history proves that reasonable hours, fair working conditions, and a proper wage scale are essential to high production. *** every attempt should be made to conserve in every way possible all of our achievements in the way of social betterment. But the

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pressing argument for maintaining industrial safeguards in the present emergency is that they actually contribute to efficiency."

FRANKLIN D. ROOSEVELT

THE WHITE HOUSE,

September 13, 1940.

September 13, 1940
10:05 a.m.

H.M.Jr: Hello.

Operator: Secretary Hull is coming on.

Cordell Hull: Hello, Henry.

H.M.Jr: Hello, Cordell.

H: The French Ambassador was in here day before yesterday I think it was and he was pleading awfully for a good word to you about enough money to pay their consular and diplomatic service in other parts as well as in this American hemisphere. I told him that that was a matter handled entirely by you folks over there and I couldn't get him to estimate the amount to see whether it amounted to anything much or not. Have you got any impressions on it?

H.M.Jr: No, except that the President seemed to be very doubtful about it and Berle has told us that the State Department didn't want us to move on it yet. Now I don't know whether Berle was reporting correctly but he advised us to do nothing for the next day or two.

H: Now, I've wondered why they couldn't use some of that gold they've got over there at Dakar.

H.M.Jr: Or at Martinique.

H: That's French gold

H.M.Jr: In the Martinique?

H: And Martinique is French gold.

H.M.Jr: Why, that's the question that I asked.

H: What did he say?

H.M.Jr: Well, I haven't seen him, but I mean when

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- they came to me through the - I didn't see the fellow - the French Financial Attache asked Merle Cochran. I said, well, why can't they use some of that gold down in Martinique?
- H: Yeah. Now they claim that the Belgians, and Dutch and others have an interest in that gold over there on the African Coast.
- H.M.Jr: Oh. Well, that's news to me.
- H: 200 or 300 million dollars isn't it over there?
- H.M.Jr: But there's about 250 million at Martinique which is all theirs.
- H: All French.
- H.M.Jr: All French.
- H: Yes, well they're liable to try to slip that out, reckon, on a vessel?
- H.M.Jr: No, they can't do it.
- H: They can't do that.
- H.M.Jr: No.
- H: I see.
- H.M.Jr: But they could, for instance, if they wanted to they could take \$1 million of it and send it up here and we'd buy it from them - or 2 million or 5 million or whatever they need.
- H: Well, we wouldn't want to send them - we'd want to supervise it very closely to see that it didn't go to the Germans.
- H.M.Jr: That's right.
- H: That's the only thing.

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- H.M.Jr: Well, my impression which I've got, which may be wrong, from Berle to my people is that you people over there didn't want us to do anything on it.
- H: Yeah.
- H.M.Jr: Now if I'm wrong you might tell me later on in the day.
- H: Well, I'll look into it a little further and see if I can give you any information - any side-light.
- H.M.Jr: And the President said he wanted more information on what they're going to do in South America.
- H: Yes, in South America.
- H.M.Jr: Yeah. That's where they want the money, isn't it?
- H: Oh, I thought it was in other parts of - this hemisphere mainly.
- H.M.Jr: Well, the way it is now we give them the money each month to take care of United States.
- H: Yeah.
- H.M.Jr: Then they want money for South America and they want money for the rest of the world.
- H: Yes, I knew.
- H.M.Jr: Now on the rest of the world we told them definitely no. On South America we said we had it under consideration.
- H: Yes, I see.
- H.M.Jr: But I'd very much like to have your advice.

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September 13, 1940

H: I'll look into it further, Henry.

H.M.Jr: Thank you.

H: Yeah.

Robert
Minkley: I don't want to report the loss out to
the staff the other day with the Brits.

H.M.Jr: Yeah.

H: I think they were impressed. They've got
their fighter officers and there's a whole
of them who are flying the planes. The Army
and the Army, however, is also very
impressed and they have indicated that
they want to place an order for 100 as
soon as they get the design through
Dayton - through Wright Field.

H.M.Jr: I see.

H: Now it's my guess that sometime after they
they say want more than that.

H.M.Jr: The fact.

H: The only thing I'm suggesting as a way to
prevent some amount of discussion being
so is that if they are really interested in
this thing that they want some indication
on that they would be so that they'd be
getting it after while with the design work
and then not being able to get it.

H.M.Jr: I see. Right. O. K., thanks for the talk.

H: Yes, sir.

H.M.Jr: Thank you.

September 13, 1940
12:03 p.m.

H.M.Jr: Hello.

Robert
Hinckley:

I just wanted to report the trip out to the port the other day with the Britishers.

H.M.Jr: Yeah.

H:

I think they were impressed. They've had their flight officers out there a couple of times since flying the plane. The Army - our own Army, however, is also very impressed and they have indicated that they want to place an order for five as soon as they can run the things through Dayton - through Wright Field.

H.M.Jr: I see.

H:

Now it's my guess that probably after that they may want more than that.

H.M.Jr:

Uh-huh.

H:

The only thing I'm suggesting in order to prevent some argument or discussion later on is that if they are really interested in this thing that they make some indication so that they won't be in the position of wanting it after while like the Jacobs motor and then not being able to get it.

H.M.Jr:

I see. Right. O. K., thanks for the tip.

H:

Yes, sir.

H.M.Jr:

Thank you.

Outline Map
EASTERN ASIA

Occupied Area [diagonal lines]
 Batches Aug.-Sept., 1940 [X]

Scale 1:500,000